THE BUSINESS WEEK

FOR THE WEEK ENDING SEPTEMBER 21, 1929

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The Business Week

FORMERLY THE MAGAZINE OF BUSINESS

A JOURNAL OF BUSINESS NEWS AND INTERPRETATION

FOR THE WEEK ENDING
SEPTEMBER 21, 1929

Business Outlook—Cloudy, Continued Cool

SIGNS of reaction from the abnormal heat of activity during the first part of the year are slightly more evident this week. There is a premature feeling of fall in the falling percentages of steel operation, a touch of yellow in the leaves, as buyers leave larger stocks of autos on the hands of dealers. Chilly little drafts drift through the stock market, and the steam has not yet been turned on, though the investment-trustful public is shoveling in the coal. A good Indian summer is looked for soon, but so are equinoctial storms.

The business barometer and the trade thermometer are being affected by two opposing forces—a warm industrial atmosphere and a cold current of credit constriction. Business as a whole, bathed in its Gulf Stream of national growth, has been trying for several years to attain its normal rate of expansion, but has not achieved it, except for short periods, since 1923. Every time it flowers the fruit is killed off by a financial frost of high money rates due to the gigantic and growing glacier of security loans, which freezes all the streams of new credit as fast as they flow into the market. That is what is happening this year again.

The Federal Reserve has tried to melt the money market here and there with a hot-water bottle of low bill rates and the like, but it makes little headway against the steady spread of the polar ice-pack of speculation and credit stringency.

But business has been so warmed up this summer that it will probably not have to get out its winter overcoat for a while yet, though top-coats are indicated.

The League of Indignations

GENEVA is no longer merely a place in which the conferences of a conclave called the League of Nations are held. It has become in recent years an elevated and substantial platform from which European statesmen, or merely politicians, have been able to make themselves heard more clearly than ever before, both by their people at home and by the people of other countries.

Premier MacDonald's address at the outset of the session appeared to be rushing a bit the naval limitation negotiations between Great Britain and the United States. Since then, however, they have apparently made good his optimism. MacDonald will be here at the end of September to discuss the matter with Mr. Hoover. A naval reduction conference is fairly definitely scheduled for December. The Admiralty and the big navy boys in Washington have been temporarily quieted and the main outlines of the probable naval agreement are now fairly clear. A kind of theoretical parity is to be attained in 1936. We are to build all or most of the cruisers authorized by Congress. Great Britain, by scrapping and replacing or postponing construction, is to reduce her total tonnage. By use of the "yard-stick" which Mr. Hoover has been working out in Washington, a way has been found to match quantity against quality, giving the British more ships and the Americans fewer but more powerful ones.

France and Italy do not like these negotiations, and MacDonald's address was significant for its suggestion that Great Britain sees more hope of a get-together with the United States than of playing with the sore-heads on the Continent who are talking European federation. The lukewarmness of England toward the cornerstone of the United States of Europe which Mr. Briand laid between his pear and his cheese a fortnight ago gave added impulse to the idea of a continental federation and of some concerted effort to deal with the tariff problem in a world-wide way.

The economic section of the League of Nations, under the competent direction of Sir Arthur Salter, has been work-

ing on this titanic task for some time and is thought to have provided a sort of scientific foundation for what MacDonald called "air castles" of European co-operation. Memoranda proposing various plans of action for the League members to consider between now and 1930 meeting have been circulated at the present session, and it is proposed that even before 1930 an attempt be made to call a conference of all nations to consider means at least of checking the tendency toward higher tariffs seen in the past year. Mr. Loucheur, French industrialist, who was a main factor in bringing about the Geneva economic conference of 1927—where a first attempt of this kind was made—is again active in this effort.

Throughout the discussions at Geneva there is an evident note of caution about any action that would be construed as an outright challenge to the United States. In fact, the memoranda have anticipated Dr. Julius Klein's recent emphasis upon the idea that a closer economic union of European countries might not be a danger but a benefit to American trade.

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Grain Grumbles

THE grain market this season has been seriously upset by a combination of new and puzzling factors. Western correspondents of THE BUSINESS WEEK report a wide divergence and confusion of opinion among grain interests and grain growers as to what is the matter.

Acting under pressure of western Senators, the Farm Board has asked the Department of Agriculture to investigate grain storage conditions in the Middle and Northwest, where elevators are reported to be refusing to store wheat and forcing farmers to sell it.

Correspondents of THE BUSINESS WEEK in the grain belt are unable to find any definite evidence that elevators are exercising pressure on farmers, although congressmen and co-operative officials repeat Senator Nye's charges to this effect. Congressman Maas of St. Paul says, "The situation is such that an investigation should be made immediately." G. W. Connell, General manager of the Minnesota Wheat Growers Co-operative Association, says reports are coming to his office that farmers are being denied storage space and being urged to sell grain for cash, but sees the situation as a boost for the co-operatives.

An inspector for the North Dakota State Railway Board, investigating along the Northern Pacific Railway lines, reports elevators filled, excepting for space reserved to handle cash grain, but found no evidence of elevators taking unfair advantage of farmers. The day after Senator Nye's charges two elevator companies of Minnesota, with 200 elevators in North Dakota, offered to advance 60% of grain value on certificates issued under the North Dakota Farm Storage Act at 81%. E. E. Mitchell, vice-president of the Western Grain Company of Minnesota, says definitely, "So far this year our company has not refused to take in one bushel of grain for storage in our elevators in North Dakota."

An official of a large middle western cereal manufacturing company and president of one of the leading grain exchanges tells THE BUSINESS WEEK that the public has been sadly misinformed about the grain situation. "After three wheat crops above average," he says, "we are this year back to normal, with the result that everyone thinks we have a shortage. The average crop in the years 1921 to 1925 was about 800,000,000 bushels. This year, in spite of crop failures in the northwest, we are producing 785,000,000 bushels. Remember, too, people are eating less wheat nowadays.

"Another factor is the large visible supply of wheat. The week ending September 7, it was the largest ever known, more than twice as great as last year.

"Export demand is unusually slow. Foreign buyers are canny. They know our glutted situation and are holding back for better prices. On the other hand, our farmers are convinced that we have a short crop in both wheat and corn and are playing for high prices later. Hence, we have the widest spread between cash and future prices in history, excepting the panic year of 1907.

"There is no conspiracy by elevator and grain men against farmers. The main cause of the trouble is that elevators were almost filled with old wheat before this year's crop came on."

Combine harvesting may have been a contributing cause to hastening this year's crop to market. Grain men tell THE BUSINESS WEEK that combine harvested wheat is wetter than wheat harvested by ordinary methods and tends to spoil quickly. Country elevator operators have been afraid to risk holding it.

On the whole, it seems that the Chief Farm Boarder, Mr. Legge, has been a victim this year of his own business ingenuity in developing faster methods of harvesting through the machines of the International Harvester Company. It is a neat twist of fate that he should have the job of solving a problem he created.

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New Chief Engineer Is No Yes-Man

AGOETHALS in the person of Gen. Lytle Brown has been chosen for the post of Chief of Engineers of the U. S. Army. The army has before it flood control on the Mississippi—a greater undertaking than the Panama Canal; the improvement of the great tributaries of the same river in the general scheme of waterway development and, a little later, the administration hopes, the Great Lakes-St. Lawrence waterway and power project.

General Brown has the reputation of being a great go-getter. He has differed frequently with his superiors, including General Pershing. This proclivity is thought to be one of the reasons why he appealed to the President, who has a violent dislike for Yes-Yes men.

General Brown is in Washington and will be relieved at once of his duties as commandant of Fort Davis, Canal Zone. He will be sworn in as Chief of Engineers just as soon as his nomination is confirmed by the Senate.

Taylor Tells Why Steel Retired Bonds

FOLLOWING the example set by the United States Steel Corporation, the Bethlehem Steel Corporation announces it will retire all of its redeemable funded debt through a new stock issue. Although the operation is a smaller one, some $88,000,000 against $271,000,000, it is nevertheless extremely significant in that it marks the continuation of this important movement.

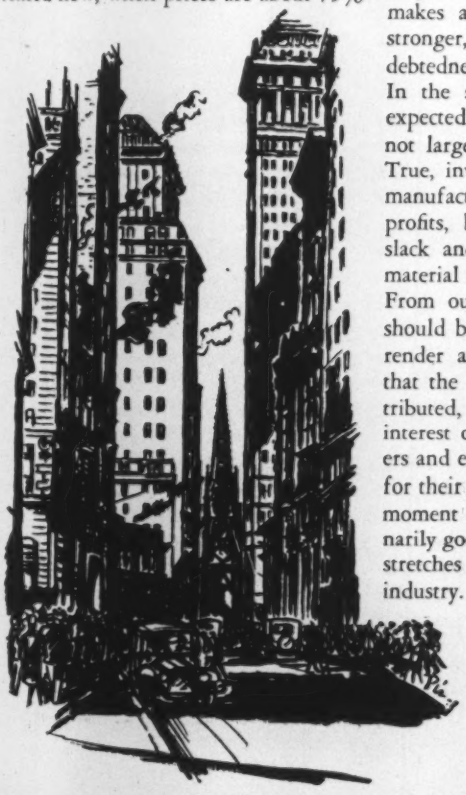
THE BUSINESS WEEK submitted to Myron C. Taylor, chairman of the Finance Committee of United States Steel, admittedly the author and initiator of this refunding plan, four questions bearing on the present tendency to refund bonds by offerings of stocks. The questions follow:

1. Orthodox view of corporate financing is that the newer industries may best be financed by stock, while the older industries, well established, can best base their financing on bond issues. Have modern conditions changed this rule?

2. Is this because of the present and prospective favorable market for common stock, and the disfavor with which bonds are regarded?

3. Is it because there is a growing and pervasive feeling that commodity prices are likely to decline steadily in the long run and the value of the dollar to rise?

4. Is it because, if pre-war bonds are retired now, when prices are about 75% higher than pre-war, and stocks can be sold at a high price, a great saving will result?



While he declined to reply specifically to the four questions, Mr. Taylor did consent to explain why the United States Steel Corporation had seen fit to initiate operations looking to the complete refunding of all of its outstanding debt.

Two motives determined the action of the company's management, one of an "arithmetical" nature, as he chose to put it, having to do with the effecting of economies for the corporation, and the other one of a more fundamental nature. The latter motive, to which Mr. Taylor referred as "an old fashioned" reason, was, he said, the natural desire to get out of debt.

"The present condition of security markets made it possible for us to achieve a program which we had long had in mind, that is, to pay off our funded debt under conditions which would be advantageous to the corporation and fair to all concerned, bondholders and stockholders alike. We decided to take advantage of the opportunity and I see that other companies have initiated similar policies. With such a possibility before us we could not refrain from taking advantage of it.

"As regards the other and more fundamental matter, I think it is sufficiently clear that corporations, just like individuals, should get out of debt whenever they can. The fact of getting out of debt makes a corporation or an individual stronger, even for incurring new indebtedness, should such a necessity arise. In the steel business the yield to be expected from investment of capital is not large, about 5%, in the long run. True, inventions come along to perfect manufacture and hence produce larger profits, but competition takes up this slack and the users of steel get their material cheaper as a result of progress. From our point of view this is as it should be, because it is our function to render a service in steel, to see to it that the product is turned out and distributed, that stockholders receive a fair interest on their investment, that workers and employees are liberally rewarded for their efforts and skill. At the present moment our business is more than ordinarily good, if one compares it with long stretches of time in the history of the industry. It behooved us, as a management, to profit by the unusual circumstances prevailing just now and to start getting rid of our debt."

Most striking of the public aspects of this movement of conversion is the ease with which it has been effected. It apparently reflects an important change of attitude on the part of the investing public. During 1928 investors bought about $3,011,000,000 in new stock issues as compared with only about $1,500,000,000 in 1927, whereas new bond issues declined from $3,800,000,000 in 1927 to less than $2,000,000,000 last year. During the present year, the same trend has been apparent to an even increased degree.

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Japan Plans To Pay Gold

JAPAN seems about through its financial storms. The Cabinet plans soon to lift the embargo prohibiting gold shipments to the United States. Trade relations will be strengthened by this step. The field for yen exchange will be opened. More than half a billion dollars in gold now locked up in Japan will be drawn into use in world trade.

The Japanese financial recovery has been over a long, hard path. There was inflation in the War period, the disastrous earthquake in 1923, strenuous competition by rayon with the silk industries, large frozen credits in the banks, a government budget badly off balance.

The weak financial structure led to widespread speculation in yen exchange. In early 1926 gold shipments to this country were stopped by the government. This helped temporarily. Later in the year some gold came here and it was believed the nation was planning to return to the gold standard.

Suzuki and Co., a huge vertical banking trust, failed in 1927. With it came disaster to the Fifteenth, or Nobles' Bank, its chief creditor. Near-panic resulted in Nippon. A moratorium was declared and the gold embargo put in effect. Since then a terrific effort has been made and now financial equilibrium appears ahead. The Bank of Japan holds a little more than $500,000,000 in gold.

Present decision probably is a step in return to the gold standard. When the embargo is finally lifted, the yen—now worth less than 47 cents—will come nearer its par value—49.8 cents.

"Things Are Not What They Seem"

FOR the third time in five years Americans are going abroad to help in European financial affairs. Jackson Reynolds, president of the First National Bank of New York, and Melvin A. Traylor, president of the First National of Chicago, will attend the conference for organization of the World Bank, to be held about October 2. Owen D. Young and J. P. Morgan, the Bank's originators, chose them. Governor Emile Moreau, of the Bank of France, invited them in the name of all participating central banks.

Dawes in 1924 and Young and Morgan last spring, went across to help settle a problem largely European. Reynolds and Traylor have a much larger responsibility. The World Bank will be a permanent institution, growing in importance instead of lessening, as will reparations.

Far more is present in this affair than appears on the surface. The Young plan called for equal representation of the leading central banks. Henry Stimson, Secretary of State, following the Washington fetish of "no foreign entanglements" said "No" for the Federal Reserve system before its officials even had time to think. So officially the gentlemen are quite unofficial.

Immediately the two delegates were announced, Washington called them. They will confer with President Hoover and Mr. Stimson before sailing. The same thing happened to Dawes and Young and Morgan. Their going means nothing to the government—ostensibly. Their going means a lot to the government—actually.

To be successful as its planners vision it, the World Bank must have close cooperation of the Federal Reserve. Conversely our tremendous foreign interests make it unthinkable for us to be completely out of such an important institution. We can ignore the political League of Nations, even the legal World Court. We can not ignore a World Bank. Washington knows this, despite all the by-play. So the gentlemen who will help organize the bank are going to the capital to talk sensibly, but that will be done behind closed doors.

Mr. Young, who planned the bank and is thus its most ardent proponent, is a leading figure in the Federal Reserve. He is a director and vice chairman of the New York Reserve Bank. He knows if his plan is to be successful it must be close to the Reserve and he is a big business man, knowing that we can not ignore it. He selected the delegates. He named Reynolds, former director of the New York Reserve Bank, long an associate. He selected Traylor, long a friend and fellow director of General Electric and National Broadcasting. Both head huge national banks, and are thus close to the Reserve system. Together they represent the two huge financial markets, the two centers of big business.

Now comes S. Parker Gilbert, former under-secretary of the Treasury, for the past five years Agent General for Reparation Payments under the Dawes plan. S. Parker is a jovial chap and a close personal friend of Andrew Mellon, with whom he often stays when in Washington. Mr. Mellon is chairman of the Federal Reserve Board. Mr. Mellon first suggested American participation in the World Bank through a consortium of American banks. Mr. Gilbert will give a cheery word of greeting to the departing delegates—ostensibly.

There is still another link. Charles E. Mitchell, president of the National City Bank of New York, America's largest institution, will be in Europe at the time of the conference. He is a prominent director of the New York Federal Reserve bank. Of course he will be there on vacation.

Many kinks in the World Bank problem exist abroad. In Germany a campaign against it is vigorous. London feels it must have the bank under its eye. Snowden at The Hague said he would say much about the bank, but hasn't—yet. Americans can do much toward ironing out the kinks. Especially Americans who are close friends of the creator of the idea and Americans close to the powerful Federal Reserve.

Summed up it looks this way:

The United States has so many billions of dollars abroad and so much trade at stake that it cannot possibly ignore the bank. The "no foreign entanglements" fetish holds so much political sway we must do it homage. Many, many methods for a close tie-up between the Federal Reserve and the World Bank can be found without actual membership. The Reserve Bank can act as correspondent for the World Bank as it does for other central banks. Some powerful commercial member institution, perhaps a Morgan bank like Guaranty Trust, could provide a further liaison. Or an even closer link could be welded through the suggested consortium.

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Congress Will Save the Ships

WASHINGTON, in the last few weeks, has given us a little insight into the subsidy system. Mail contracts with shipping companies are polite subsidies. It was assumed they were granted to maintain certain necessary shipping services, not certain ship operators. Some operators didn't think so. They had bought certain Shipping Board vessels (very cheap, too) as a kind of favor to the public, and expected to be given mail contracts by which to pay the expenses and profits of running them, thus maintaining an American merchant marine. If they didn't get the contracts the Shipping Board could keep the ships.

The Postmaster General insisted that the law required him to give the contracts to the lowest bidder, whether such bidder had bought Shipping Board boats or not. The Board, anxious to sell its ships, passed the buck to an Interdepartmental Committee composed of the Chairman of the Board, the Postmaster General, and the Secretaries of Commerce and Navy. This committee, after picking at it a while, has suggested to Mr. Hoover that the buck be passed to Congress. Congress will now be asked to clarify the law and explain its intentions. Meanwhile—and it will be a long while—all pending bids for mail contracts will be rejected.

Contracts involving annual payments of $12,561,249 have already been made, and the Post Office Department has about $3,000,000 left in its subsidy box.

Since Shipping Board lines are operated mostly at a loss anyway, it won't matter much to the taxpayer whether he pays to run them via the Board or via private operators under mail contracts. It is not certain that all of these lines are necessary or useful except to local interests. The real and important merchant marine requirements of the country will be taken care of, if at all, by efficient, progressive ship operators who can stand on their own feet—or sail their own ships. To put the subsidy snarl back into Congress will only give it another chance for local log-rolling.

THE SYMBOLIST

"Between a pear and some cheese . . . we laid the cornerstone"

Production ▶

Should Manganese Be Mined at Home?

DOMESTIC production of manganese in quantities sufficient to supply American steel companies with all of this essential metal they can use, requires only adequate tariff protection to become an actuality. So, at least, said W. B. Daly, manager of mines for Anaconda Copper, at the Washington convention of American Manganese Producers Association. Opposing tariff increases have been the steel producers, of whom the two largest manufacture much of the ferromanganese made in the United States. The bulk of manganese now consumed in America comes from Russia, India, Africa, and Brazil.

Since 1922, American manganese producers have striven, against great opposition, to open mines and devise ore-treatment processes. Anaconda and the Bureau of Mines, working independently, have developed flotation methods that make valuable hitherto unworkable ores. According to Mr. Daly, areas in South Dakota, Arizona, Nevada, and Minnesota can produce 150,000,000,000 tons of ore, enough, when beneficiated, to supply the United States for more than fifty years. Geological Survey and the Bureau of Mines have found manganese ore in 216 locations in thirty-four states. All, says Mr. Daly, can be made suitable for the market.

The Producers Association adopted a resolution asking for increased duty (1½ cents a pound manganese on all ores over 25% in grade), and the protection given ores of poorer grade in Senator Oddie's amendment. Opponents of tariff have heretofore contended that the United States had a negligible reserve of ore, and that a domestic manganese industry could not be developed. The Senate Committee recommended manganese for the free list by a vote of six to five, but Anaconda is obviously going to lead a fight for restoration and increase of duty.

Production ▶

More Wood Wasted Than Used

MORE wood is wasted than is put to use, according to the National Committee on Wood Utilization. A survey in North Carolina disclosed that 33,000 carloads of waste wood are available annually. Pulp, paper and fiber products, charcoal and wood chemicals, lath, excelsior and many other materials can be made of the waste products of saw mills and other wood using plants.

The survey of North Carolina non-utilized wood was made to determine the location, kind and quantity of non-utilized wood. A similar survey has been made in Virginia and the next one will be made in Maryland. It is expected every state will be surveyed in order to foster better utilization of wood wastes.

P. & A. photo

THE INSCRUTABLE ORIENT

Chang Ching-Kuo, wealthiest business man in Manchuria, stoically masks his grief over Soviet reverses in Harbin

Production ▶

New Tools Show Speed, Economy

SPEED, automatic control, greater production—these are the things the machine tool builders boast about in the exhibits they will make at their exposition in Cleveland, Sept. 30—Oct. 4.

This second exposition fostered by the national association will have 244 exhibitors displaying 500 machines never shown before. Progress in design since the last show in 1927 has been remarkable, as visitors will discover.

In innumerable ways machine designers have sought to increase the productivity of their equipment. They have employed automatic control and operation, obtained better utilization of power, specified more anti-friction bearings, developed better facilities for handling work both into and out of machines.

The trend toward automatic control has been quite pronounced. Many new developments along this line will be seen at the show. Reduction of labor costs has been the impetus behind the movement, which is likely to increase in importance rather than diminish. Automatic equipment usually is more expensive than manually operated devices, is more complicated in design, requires more care in set-up, has more stringent lubrication requirements and needs more careful adjustments. Despite these apparent disadvantages, however, the work of automatization proceeds apace, and factory costs continue to decline.

One of the most recent and interesting applications of automatic control to be seen at the show is an automatic piston-turning machine for automotive work. The device is equipped with mechanical hands which pick up pistons from a trough holding a store of unfinished work, place them between centers and, after machining operations are finished, remove the parts and place them on a runway along which they roll to the next operation. The entire cycle of operations of this equipment is automatic. Rotation of spindles, feeding in of cutting tools and all other elements of the complete job are synchronized with the movement of the mechanical hands and are performed in order without human aid once the cycle has been set.

Development of lubrication systems and wider adoption of hydraulic feeds have received much attention. Many kinds of lubrication systems are used but in nearly every machine on display there will be seen a persistent effort to care for the severe requirements brought about by operating conditions under which modern machine tools work.

Hydraulic feeds came into prominence but a few years ago and now have been applied to nearly every kind of machine tool. New applications to milling machines, grinders, lathes, drills, hones and broaches will be seen at the exposition.

Other developments, possibly of less individual importance but all contributing largely to the ultimate satisfactory

P. & A. photo

LORD HIGH EXECUTIONERS

Senators Allen of Kansas, Shortridge of California, Joseph T. Robinson of Arkansas prepare to put Big Navy lobbyist Shearer over the hot sands

performance of machine tools, will be found in quantity. Some of these include wider use of ball and roller bearings; utilization of high grade alloy steels for journals, gears, spindles and other operating parts; facilities for mechanical handling of work; reduction of power consumption; more rigid construction; compactness of design; convenience of inspection and cleaning and easier chip removal.

Single purpose machines appear to be on the wane. There still remains a market for highly specialized tools, apparently, but a majority of machine tool users seem to have no faith in the stability of public demand. Instead of buying single purpose machines which become obsolete with even a minor change of the product they are purchasing standard equipment. Fitting this with special jigs and fixtures they are able to get nearly as great production as from the more specialized machines. But, in case of a necessary change in product design, they must scrap relatively inexpensive fixtures rather than whole machines.

The great number of slightly different machines designed for the same general work to be exhibited emphasizes the fact that machine tool buying has become a real job. No longer does one buy a machine for an operation but "the machine" most suitable for the work. To do this properly requires an extensive knowledge of machine tool developments, of what can be done on each kind of machine and what the limitations of various machining methods are.

Automobiles ▶

General Motors' Plans for Opel

ALFRED P. SLOAN, president of General Motors Corporation, told stockholders he did not foresee a time when cost of manufacture abroad would be low enough so motor cars could be produced there and sold here. Volume has such a great effect on costs, and the volume of business available for American factories is so great.

The Adam Opel A. G. works in Germany was bought, he explained, so that cars could be produced more nearly suited to particular demands of foreign markets than are American-built cars. The trend in America is toward luxury type cars. In many European countries the real market lies in providing the most economical type of transportation possible. Plans are already made for a new 25 horsepower Opel to sell for about $450. The present Opel has an engine rated at 20 horse power and sells for about $650. Other German car makers are not a little perturbed.

Automobiles ▶

Cadillac Plans 16-Cylinder Model

AUTOMOBILE manufacturers continue to prod consumer appetites with new models. This week Cadillac-La Salle and Packard announce 1930 models. Cadillac-La Salle's may be called new models by courtesy only. They include the sort of thing called "detailed refinements" in automotive journals.

Packard adopts a four-speed transmission. This has been popular on British and Continental cars for years but was introduced to American production cars only a few years ago by Graham-Paige. Since then Blackhawk, Chrysler, Durant, Gardner, Locomobile, Stutz and Windsor have adopted it on some models.

European makers have made use of four-speed transmission mainly because of their low-powered engines. No single gear ratio would provide them proper accelerating and hill-climbing characteristics combined with adequate open road operation. Use of four-speed transmissions in powerful American cars simply improves already good qualities. The usual third speed is, in effect, split into two parts. One gear ratio provides somewhat better acceleration than the normal third, while the fourth speed is considerably more pleasant in open road running.

Cadillac says it expects to announce a 16-cylinder car early next year. According to fairly well-substantiated rumors this will not be the only car of many cylinders to be offered next year.

While there have always been more four-cylinder cars produced than any others, the relative number of four-cylinder models on the market has been declining for at least 15 years. Six-cylinder models increased steadily up to 1924 when they, too, started downward to give way to eight-cylinder cars which now

comprise nearly 50% of all models on the market.

Many years ago a few 12-cylinder cars were marketed but they have long since vanished. Now we are promised 16-cylinder models. Why? On the basis that if a little of something is good a lot of it is much better. While this may be correct in theory, complications of design and cost of fabrication increase with the number of cylinders. Up to the present, eight has seemed to be the maximum economic number.

There is no engineering barrier to motors with more cylinders. A 16-cylinder car, built to the usual Cadillac standards, should provide an unusually smooth running engine with remarkable operating characteristics.

Production ▶ Molybdenum for Rails

USE of alloy steels in locomotive springs and in rails was advocated at the National Metals Congress. Larger locomotives and heavier rails are needed. To meet these requirements with steels now used would be unwise, it was pointed out. Limits of carbon steel possibilities for locomotive springs have already been passed. Carbon steel rails as large as 200 pounds per yard are being advocated for heavy traffic lines. It was suggested such alloys as molybdenum steels would provide additional strength and ductility without increased weight.

Science ▶ Chemists Startled By Own News

NEWSPAPER readers were engulfed in a flood of astounding reports from the semi-annual meeting of the American Chemical Society in Minneapolis. The American Chemical Society is a learned and august body. One wonders sometimes whether reports of its activities must not frequently be news to its members.

Newspapers were excited last week over the splitting of the hydrogen atom, the development of a process for making gas on the farm, synthetic production of diamonds and various other events. They were all predicted as about to revolutionize farming, Maiden Lane jewelers, the whole science of chemistry, or what have you?

The hydrogen atom was split. That simply bears out modern theories already well substantiated. There are no practical applications known for the discovery. It was a step forward in fundamental research.

Gas can be made of cornstalks and animal wastes. Why not? The dictionary definition of methane gas is that it is formed by decomposition of vegetable matter. All that was suggested new was that a septic tank could be used to hasten decomposition of corn stalks, the gas to provide farm fuel.

Synthetic diamonds have been made for years, but not economically. The latest searcher after this "philosopher's stone" has made diamonds a little bigger than others have but he is as far as ever from a practical, economic method.

Very real developments are being made in science and many of them were reported at the Minneapolis meeting. Unfortunately, most developments disclosed at such meetings are highly technical and of little interest to the average person. The quest, under these conditions, of something which will get by the newspaper copy desk leads to the extravagant claims and rather unscientific effusions which have been indicated here.

P. & A. photo

THE CIRCUS BUSINESS

John Ringling is the circus business. He's bought up all rivals

Agriculture ▶ Picker, Drier For Cotton

DEMONSTRATION of a cotton picker and of a cotton drier last week interested the South. The cotton picker is backed by W. C. Durant. It is designed to pick 240 to 270 pounds a day. About 120 pounds is the average gathering by hand. The machine is light; is mounted on wheels; is pushed between rows. A small gasoline engine operates two flexible suction tubes fitted with mechanical hands. These hands contain serrated cylinders revolving at 1,200 r.p.m. in opposite directions. The boll containing the cotton is held close to the hand by suction.

Textile men are not excited. There have been so many cotton picking machines.

The cotton drier has been developed by Department of Agriculture engineers. Ginning processes cause millions of dollars loss annually. The new apparatus dries out seed cotton brought to the gin too damp. Engineers found poor condition of the gin stand a frequent source of trouble. Also excessive moisture, seed cotton too dense in the breast roll, high rates of saw speed.

Research ▶ Coal Mine Waste Helps Field Crops

COAL men have an eye on a new market—the farm. Tests of the value of coal for improving soil, now in progress, indicate that a product of the mines, hitherto wasted, may bring in real cash.

In wash water from coal there are fine particles which, when they settle, form what is known as sludge. Pittsburgh Coal Company is spreading this sludge on ground in which oats, corn, and wheat have been planted. No other fertilizer is used. Oats, fertilized with sludge, grew to a height of 20 inches. Oats nearby, not so treated, grew to 13 inches. The fertilizer had a similar effect on corn and wheat. Grains of corn were planted and covered with three inches of coal sludge. Plants grew up through the covering, which is said

to prove that the fertilizer does not burn the seed or even the tender plant.

The sludge lightens the soil, lets water pass through to the subsoil, lets it rise again as evaporation dries the surface layers. It gives the roots easy passage to moisture. Oxygen can get to the roots and nitrifying bacteria thrive. The sludge is black, absorbs the sun's heat, and thus hastens growth in the spring and protects the crop against early frost.

The coal industry, encouraged but wary, will conduct exhaustive tests before taking steps to sell sludge to the farmer.

Research ▶

Permanent Paper From Woodpulp

BUREAU OF STANDARDS engineers claim to have found a substitute for rags in the manufacture of high grade, permanent paper. Certain types of highly purified wood fibres now commercially available have the necessary qualities for making permanent papers after a series of chemical treatments, according to the Bureau.

Marketing ▶

Limestone Lumber Opens New Fields

"LIMESTONE lumber" is now on the market.

Slabs of standard widths and thickness, but of random lengths, are being offered by Indiana Limestone Company. Builders, using a small carborundum cutting tool or common hand-saw, saw up the stone on the job, just as they do wooden boards.

Advantages:

1. Since lengths are random just as they come from quarries, price per lineal foot is substantially lower.

2. Limestone can now be carried in stock by building supply concerns. It need not all be cut to measure for each individual job, as has heretofore been the case.

3. Vast new markets are opened up. "Limestone lumber," applied over a wooden framework as stone veneer four or six inches thick, brings stone houses within reach of average purses.

4. Bricklayers or other building mechanics can handle the material satisfactorily. Skilled stone-masons—a vanishing race—are not necessary.

"The stone business is ruined," lamented an eastern quarry operator five years ago when the Federal Reserve building for New York, first big structure of variegated run-of-quarry stone, was completed.

But, instead of ruining the stone business, the new idea that building stones of coarser texture and variegated colors can often be made even more artistic and attractive than evenly matched stones of fine quality, has resulted in increased business.

Erstwhile outcasts of the stone trade are now being sold under such brand names as "rustic," "old gothic," and "random ashlar." (One can never tell these days when some other bulk commodity is going to blossom out with brand names.) New methods of sawing, which give rippled and other varied surfaces, enhance their attractiveness.

Of the seventeen different kinds of stone now being used in construction of the new Department of Commerce building in Washington, at least four or five are stones that a few years ago would have been discarded.

Lumber men are excited. They contend that they have been discriminated against in the $300,000,000 government building program. In the new Department of Commerce building stone is everywhere and even furniture of steel has been specified.

Indiana Limestone Company is a merger of 24 companies, effected three years ago by Chicago capital under leadership of Lawrence H. Whiting. The company does about 12 millions a year business, 35% of the national total.

Wide World photo

SOUND AS A DOLLAR

Capt. Robert Dollar of the $ Line, celebrates a 55th wedding anniversary and fights for mail contracts

Distribution ▶

Canners Worry Over Big Output

ESTIMATES based on returns from the tomato, sweet corn, and pea crops indicate the production of canned vegetables this year will be the second largest recorded. Recent grocery cost analyses have raised doubts as to present methods of handling canned goods by grocers. How far have these doubts spread? What is the retail grocer's attitude? Will the demand be slower in the face of this bumper output? The canners and wholesalers want answers to these queries.

Canned goods, hitherto considered among the most profitable grocery items, are usually bought early in the season in quantities calculated to supply the demand for the entire year. But overhead charges against them are heavy as compared with faster moving grocery items—they take valuable space, they deteriorate, and require careful handling and warehousing. The analyses of the Department of Commerce show that profits are not so easy to make from canned goods as had been supposed.

Labor ▶

Sears-Roebuck Backs Unions

INTERNATIONAL Ladies' Garment Workers Union, of the American Federation of Labor, has achieved an important victory. David Dubinsky, acting president, announced this week the successful closing of an understanding with Sears-Roebuck Co. similar to last week's agreement with J. C. Penney Co.

Sears-Roebuck Co., and its subsidiary, the Henry Rose Stores, have consented "to cooperate with the union and other factors in the cloak and suit industry to eliminate the sweatshop." In short, these companies have agreed not to buy from non-union shops.

Having in hand these compacts with two major distribution organizations, the union was able to give strong backing to the contractors who were protesting to the independent jobbers that the latter were "not paying minimum production prices adequate to enable the contractors to pay union wages and meet union standards." The non-union contractors were beaten, with the announcement of the Sears-Roebuck agreement, so that the jobbers had nothing left to do but make notes of the prices they are to pay.

Marketing ▶

U. S. Certifies Steak Is Tender

UNCLE SAM, for a small fee, will certify that the meat you are buying is "prime," "choice"—or mayhap "low cutler." Hotels, large steamships, other buyers are demanding such certificates of grade from packers in ever-increasing numbers. Bureau of Agricultural Economics just reported grading 12,000,000 pounds in the second quarter of 1929; in the same months of 1927, when the service was new, 6,000,000 pounds.

This is not to be confused with the Bureau of Animal Industry's familiar "U. S. Inspected and Passed"—a sanitary certificate required by law, and no guarantee the steak won't be tough.

Distribution ▶

This Is Age of Small Business

CHAIN companies close branches which sell less than $250 worth of goods a week. Few chain stores are permitted to continue if their sales get down to $200 a week. Yet 42% of all the retail outlets found, according to the trial census of distribution, in eleven large cities, representative of all parts of the nation, had total sales for the year of under $10,000.

Commercial Service Company just reported the opening of 4252 new independent stores as against 937 main store branches last month. So much publicity has been given the rise and expansion of chain stores that the fact that independent stores are increasing relatively much faster is not generally known. There are approximately twelve times as many independents as chain stores, and over two-fifths of them are smaller than the smallest chain store.

Incidentally, it is interesting and important to distributors to know that chain stores have not been able successfully to compete anywhere with the smaller independents in the poorer urban neighborhoods. In some parts of the country, moreover, they have not coped successfully with the small rural independents.

Wide World photo

THE LEAGUE, IN AN UNGUARDED MOMENT

Delegates at Geneva during a moment's recess—when they look a lot like anyone else

Education ▶

A New School of Merchandising

THE University of Southern California has established a new School of Merchandising underwritten for five years by California merchandising organizations. The school will offer majors in marketing, advertising and retailing, leading to the degree of B. S. in Merchandising. The key point in the announcement was that the school was made possible not only by the financial cooperation of business groups, but also by their promise to cooperate in making available to the students "adequate training in sound practice as well as in sound theory."

There are two types of collegiate institutions of business, into which this new school has not yet been classified. Some teach their students not to take anything on faith, thus unfitting them to mesh with the rigorously disciplined organizations of business.

Institutions of the second type drill their students in strict regimentation, unquestioning acceptance of present business practices—the faulty along with the sound—thus unfitting them for independent thinking. Fortunately, both types are needed in business life.

Railroads ▶

Better Signals Save Adding Track

FORTY-ONE railroads of United States and Canada now direct movements of trains by means of signals and without the use of train orders, at least on parts of their lines where traffic is heavy. The greater capacity provided by

this more efficient method of train dispatching has postponed the necessity for additional track in many instances. Within the past two years a new system has been developed. Signals and switches are operated and controlled from a centrally located point. By direct operation of switches the train dispatcher sets up routes as required for each train.

Railroads ▶

Old Ghost Rises to Haunt Southern

THE ingenious I. C. C. has resurrected against the Southern Railway a complaint which has been interred fifteen years.

Funny, too, the Commission says the Southern violated in 1901 a statute that was not passed until 1914. Says the Southern, "We violated the Clayton Anti-trust Act when we got control of the Mobile and Ohio? What about Section 7 of that act, 'nothing contained herein shall be held to affect or impair any right heretofore legally acquired?' "

"But," rejoins the Commission, "you got hold of the New Orleans and Northeastern in 1916, two years after the Clayton Act went into effect." "Certainly," replies the Southern, undaunted. "We had to have it to preserve that special brand of competition which the Clayton Act approves. The Illinois Central, with its Yazoo & Mississippi Valley, and Gulf & Ship Island is trying to get all our business. Do you expect us to twirl our thumbs?"

Railroads ▶

Many Roads Plan Electrification

GRAND TRUNK WESTERN lines of the Canadian National plan a $100,000,000 electrification, terminal, and office building project.

This proposed electrification of the 25-mile stretch from Detroit to Pontiac is only one of many such major projects contemplated or already under way. The Pennsylvania has the largest electrification job under construction, from New York to Wilmington, eventually to Washington. The Reading is spending $20,000,000 to electrify its lines around Philadelphia. The Lackawanna is carrying out a $15,000,000 electrification project on its suburban lines around New York. The largest electrification plans are those of the New York Central, from New York to Buffalo, at an estimated cost of $150,000,000.

Engineers generally praise the economies of electrification where traffic is dense, but find that the saving of fuel costs is often offset by the cost of changing from one power to another. Coal is still too cheap to justify a railroad's scrapping all its steam locomotives merely to reduce fuel charges. Railway electrification will not soon become universal in this country. Only in thickly populated areas or heavily industrial districts does it now pay.

But the power distributors and electrical equipment manufacturers are happy over present prospects.

Wide World photo

COOLIDGE OF JAPAN

That's what they sometimes call Premier Yuko Hamaguchi. But he never wore a cowboy hat

Utilities ▶

Morgan, Mellon, Pool Power Interests

PURCHASE last week by the Morgan interests of the Frontier Corporation from the Mellons is an outstanding illustration of a changing trend in big business. For years, these two groups have fought each other, but now that their properties have grown so large that neither can buy the other out, they have quit struggling, and have agreed to work together.

Power properties on the Eastern seaboard, serving thickly populated districts of Eastern Pennsylvania, New Jersey, and New York State, have been bandied about for some time by the Morgan-Drexel and Mellon groups. At last, they have done the only sensible thing by uniting in a common purpose to develop the whole region. Petty bickerings and useless competition for control of properties will cease; they will work out their salvation around the conference table.

The St. Lawrence River power development has long been a bone of contention among several groups. Finally, General Electric, Aluminum Company of America, and du Pont got together and formed the Frontier Corporation. This company, which owns the shores on both sides of the St. Lawrence at the Long Sault Rapids, has a potential 2,400,000 horse power. Now the Morgan group joins forces with Frontier.

The Mellon group was in the utility field first. The United Gas and Improvement Company and Aluminum Company are the largest of its properties. United Light & Power, and American Light & Traction are also part of the group, as well as other large utilities in Brooklyn and Pennsylvania.

Some years ago, General Electric and United Gas formed the Mohawk-Hudson Power Corporation. The creation of the Niagara-Hudson Company, Morgan group, linked up Northeastern Power (Machold interests), with the Buffalo, Niagara, and Eastern Power Corporation (Schoellkopf group), and Mohawk-Hudson. Thus the leading power groups were united in a community of interest. The exchange of ownership from Mellon to Morgan group of Frontier Corporation is merely a further development.

Power development on the St. Lawrence holdings of Frontier Corporation, however, is not likely to proceed very soon. Three very important factors stand in the way: politics, the lack of demand for so vast water power, and international boundary questions. Governor Roosevelt has already intimated that the state of New York will have a say in the matter. His plan to appoint public trustees to develop water power for the people of the state may throw a monkey-wrench in the whole works. Whether water power developments will be extensive depends, too, on the need for it in the future. And lastly, no wheel can be turned until definite agreement is made with Canada.

Utilities ▶

Cheap Fares Don't Tempt St. Louis

BARGAIN rates for regular riders apparently have failed to lure back to the St. Louis street cars any appreciable amount of their lost patronage.

By order of the Missouri Public Service Commission, establishing an experimental schedule for 60 days, the St. Louis Public Service company sells a 12-ride weekly commutation ticket for 90 cents and after all the 12 rides are punched, the holder, upon presentation of the stub, may ride the rest of the week for five cents a ride. Passengers without tickets pay 10 cents. Previously the fare was eight cents.

The purpose of this schedule, says the Commission, is to encourage regular riding of the street cars. In the last year, street cars lost about 6% in traffic.

The first week of the new fare showed a drop of 4.8% in number of passengers carried. But because 43% of passengers paid the 10-cent fare, the company's revenue showed a gain of 2.38%.

Reduction in number of passengers as compared with the corresponding week a year ago was more than 8%. Bus lines failed to show a corresponding increase in patronage, indicating a growing use of private automobiles.

Utilities ▶

Powerful Groups Fight for Supremacy

STRUGGLE among rival interests for control of strategic utility properties continues. Three Pacific Coast utilities are the bones of contention on the one hand, while the important Detroit-Edison property is the scene of conflict on the other. Unlike the Morgan-Mellon groups in the East, neither is willing to make peace.

Public Utility Holding Corporation, new Harris-Forbes creation, is frantically bidding for an exchange of shares with Southern California Edison, Pacific Gas & Electric, and Pacific Lighting Corporation, three strategically located California utilities. Harris-Forbes also looks with covetous eyes upon National Fuel & Gas, likewise desired by the Columbia Gas & Electric. Already, a number of other groups have holdings in the three California utilities: Stone & Webster, Harrison Williams, Byllesby, and Electric Bond & Share. No wonder the struggle waxes hot. Whoever gets controlling interest in this trio will have the West Coast utility region in the bag.

In the Middle West, Harrison Williams and Cyrus Eaton groups are contending for control of the $260,000,000 Detroit Edison, the most important electric unit in the United States not dominated by a major group. Central States Electric (Harrison Williams interest) and United Light & Power (Eaton interests) hold together a majority of Detroit Edison stock, but neither wants to sell out to give the other control. This deadlock is made worse by the fact that the ownership of the rest of the stock is in the hands of automobile interests, preventing open market purchase.

Mergers and rumors of mergers of utilities keep the ears of the financial world burning. Sporadic outbursts from rival utility groups only befuddle the movements of the main armies. The Pacific Coast outburst and the fireworks around Detroit are only minor movements in the great march toward regional control. The Morgan-Mellon armistice in the East sets an example for the rest to follow.

Real Estate ▶

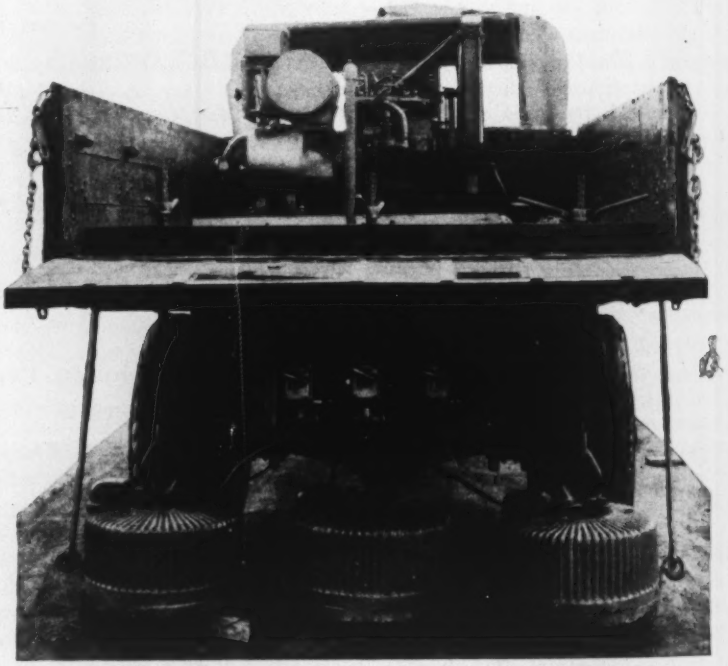
Van Sweringens' 600 Foot Street

CLEVELAND boasts its "realtors" have class. The Van Sweringens and now the Rockefellers are both developing subdivisions.

The rural estate which John D. and Laura Spelman Rockefeller laid out in 1876, and where John D., Jr., played as a little boy, is at last coming on the market. Rockefeller moved to New York in the early '80's but he retained the old place as a summer residence until about twelve years ago. The house burned down and was never rebuilt. The private golf course grew up in pasture as the city reached out and slowly enveloped it.

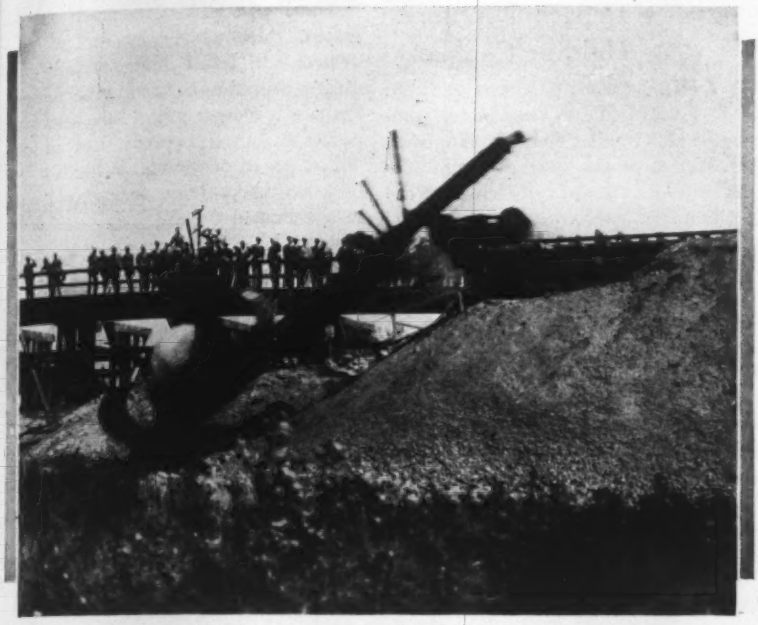
In the last few months the 600 acres —almost a square mile—have been graded with miles of wide and curving streets.

The Van Sweringens, on their part, are more heavily in suburban real estate than ever. They recently opened for sale 4,000 acres east of their famous Shaker Heights, now a city of 15,000 with a valuation of $80,000,000. In the new portion they are building a main



FIXING FLATS BEFORE THEY FLATTEN

Arizona Highway Department runs this electro-magnet sweeper to pick up nails, scrap iron, other tire-destroyers



FREIGHT CAR WRECKED—WELDED SPHERE UNDAMAGED

Electric welding may solve problem of transporting helium, hitherto shipped in small containers with great loss in transit. Last week an electrically welded 72-inch sphere (gas capacity 34,000 cubic feet) was undamaged when subjected to 1,250 pounds per square inch hydrostatic pressure, when hit 20,000 times with air hammers, and when loaded on a freight car and run over an embankment. Tests proved such spheres would stand any conceivable railway journey without leaking

traffic route 600 feet wide, twice the width of the Champs Elysées, with high and low speed automobile roads, electric rapid transit and park strips. Cross streets are being carried over the high speed traffic.

Finance ▶

$275,000,000 Loaned in $300 Bits

UNMARRIED men do not borrow money from loan companies. Married men usually borrow a month's salary. Heads of finance companies with $275,000,000 loaned in sums of $300 and less met this week in Philadelphia, remarked upon these facts.

Leslie C. Harbison, head of Household Finance Corp., says "Analyze the nation's small loans, and you will find that these sums nearly always go directly back into trade. In other words, the small loan companies carry a burden that the grocer, butcher, druggist and other small shopmen would otherwise be forced to carry."

Finance ▶

Chicago Has New Investment Plan

DESPITE tremendous extensions of services, commercial banks still are unable to care for the peculiar needs of many customers. So Arthur Reynolds, president of the Continental Illinois Bank and Trust, Chicago, formed the Continental Illinois Corporation, something new in finance. Reynolds is executive head of financial institutions whose total capitalization is more than $1,000,000,000. The new concern thus has most powerful backing. It is controlled by the bank. Through it the bank will extend its services to customers.

Popularity of the new corporation was tremendous. Requests for the $65,000,000 stock poured in from all over the world. Units of one common and one preferred share were offered at $68.50. Lively trading in the units opened on the Chicago Stock exchange at $85.50 and the price went up to past $96.

Continental Illinois Corporation resembles both an investment trust and holding company for chain of banks. Reynolds says emphatically that it is neither, and will engage in no speculative activity.

Forty thousand customers of the bank need more complete service, Reynolds says. Many of them need capital for a longer term than a commercial bank can grant. Many are not in a position to sell securities publicly. Heretofore there has been no way to finance them. Extended service to the growth of the entire Middle West is envisioned. Good profits can be made in such a field. Extension of banking control over industry may be furthered in the development.

Mr. Reynolds believes strongly that prosperity will continue indefinitely. His prophecy that high money rates would not greatly injure business has been largely carried out this year.

Marketing ▶

Turpentine—Where Does It Go?

THE turpentine industry, like others, has been disturbed by the march of progress. Manufacturers have developed a method of extracting, from logs, turpentine that is rapidly becoming as good as that produced in the woods from the resin drippings of growing trees. The old way of marketing the gum turpentine from the woods was, and is, through "factors." A few of the "factors," in Florida and Georgia, have controlled the business for many decades. They have received the gum turpentine from the distillers in the woods and sold it to wholesalers. There, until recently, all knowledge of what became of turpentine stopped.

Now the manufacturers who are making the "wood turpentine" have become inquisitive. It is estimated by them, from recent data they have secured, that about half the annual product goes to manufacturers, principally of paint, and about half into the retail trade. Whom the retailers sell to is anyone's guess. The retailers themselves often do not know whether they sell it or not.

The industry has been still further disturbed because other liquids are being substituted for turpentine—liquids made out of crude oil or coal tar. So the manufacturers of "wood turpentine" realize that they and the "factors" have a common enemy in the mineral oil pro-

ducer. But the "factors" distrust the manufacturers of turpentine, considering them enemies endeavoring to steal business rather than friendly allies coming to help fight their common foe. The "factors" fear that even if the paint manufacturers could be persuaded to use no substitutes for turpentine, the result would only be that the makers of turpentine spirits would gobble up all the trade.

Various attempts to bring about peace in the industry have failed. An international conference of producers and consumers is planned, to be held in February in the heart of the "factors" territory at Jacksonville, Fla. Foreign specialists are being sent for and their expenses are to be paid out of a fund to be raised partly by the industry, and, it is hoped, partly by an appropriation expected from the Florida legislature. Senator Fletcher has said that he thinks federal funds also should be contributed.

The naval stores group hopes out of this conference will come a research program supported by all interests in the trade. Various phases of distribution would be studied. The chemistry and physical properties of the various naval stores products would be investigated to find new uses and better control of old ones. The establishment of grades and standards would help the "factors" to compete on a better basis with "wood turpentine." Already the industry is equipped with the best of scientific research organizations in the Pine Institute with a special foundation at the Mellen Institute in Pittsburgh.

Foreigners are being welcomed to the industry because they are impartial outsiders, not lined up with any one of the groups which are now so suspicious of each other.

Distribution ▶

Department Store Holding Company

WHILE the various steps of E. A. Filene's suit to restrain his company and his brother from merging with Abraham & Straus were awaited, Lehman Brothers, the company handling the merger plans, proceeded to enlarge the scope of the merger to include Bloomingdale Brothers, Inc. As constituted at present, the plan contemplates a holding company which will control William Filene's Sons Company and its subsidiary, R. H. White Company of Boston, with combined annual sales of $46,000,000; Bloomingdale Brothers, Inc. of New York, sales $23,000,000; Abraham & Straus, Inc. of Brooklyn, sales $25,000,000; F. R. Lazarus & Co. of Columbus, Ohio, sales $12,000,000; total annual sales of the combination $106,000,000.

It is significant that it was Lehman Brothers who negotiated the Macy-Bamberger merger last June. And it is also significant that Arnold, Constable & Co. of New York and the Namm store of Brooklyn are understood to be in negotiation with Lehman Brothers. Where, if anywhere, these two unattached stores will emerge remains to be seen.

The department store field is fertile for mergers. More than a majority of department stores throughout the country have been showing downward tendencies. Various explanations are offered. Automobiles are making downtown locations hard to reach; specialty stores are buying more expertly and giving better values; chain stores are buying with more power and giving cheaper prices; the traditional buying set-up of department store organizations is wrong and a more satisfactory relationship between buyer and merchandise manager must be devised.

These and other "reasons" are suggested. Meanwhile department store owners will listen more carefully to a merger proposition than in other seasons. Perhaps a merger might buy with more power and more expertly than an individual department store. What is it that they say about hope springing eternal in the human breast?

Distribution ▶

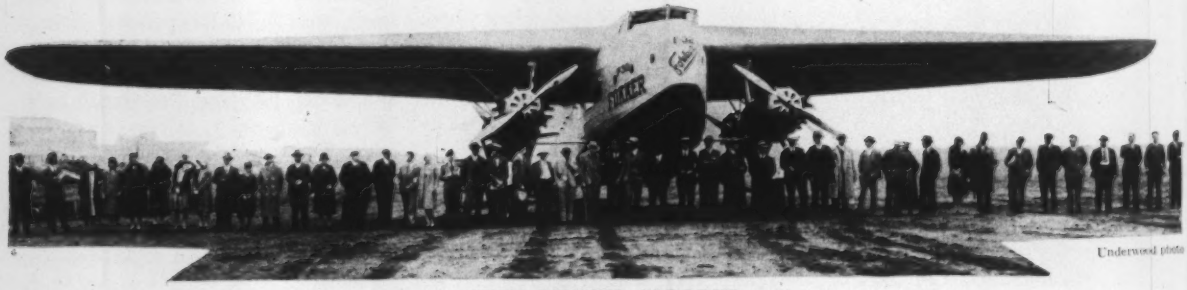
The Paint Merger Rumor

AN interesting rumor bubble was flown, and pricked Tuesday. The *New York Times* alone carried a story that Dillon Read & Company was negotiating a merger of paint manufacturers.

The National Lead Co. was reported as the key, to which it was planned to join the Devoe & Raynolds Co., Benjamin Moore & Co., Pratt & Lambert, Inc., and various lead and metal products companies in Canada. In addition it was suggested that the paint and varnish divisions of E. I. du Pont de Nemours & Co. were included. Thus would be brought together a company producing all lines of paints, varnishes, enamels, stains, japans, lacquers, and kindred products.

Every company named, including Dillon Read, quickly denied the story. It was what is known to the financial world as a "flier." The paint industry is in a chaotic condition—jobbers and retailers are both losing money—it is time for something to happen. What will it be?

That one of the biggest producers is spotting sites for a national chain of paint stores is rumored. Such a chain would have behind it a combination of manufacturers which can supply a complete line. Someone is interested in bringing together such a combination. Naturally the paint industry was startled by the "flier."



Underwood photo

THIS WEEK'S BIGGEST

We showed America's biggest airplane last week, an amphibian. Here's a bigger one—a 32-passenger Fokker successfully tested this week

Industry ▶

Pullman Opens Alabama Plant

IN a brand new plant at Bessemer, Alabama, Pullman Car & Manufacturing Company starts work next week filling two substantial Southern orders: 600 freight cars for Mexico, 550 for Central of Georgia.

October 1 a special train will carry 300 guests from Birmingham to the formal opening of this, Pullman's third largest, manufacturing unit. (Largest plant at Pullman, Ill.; Michigan City, Ind., second.) At capacity the plant will employ 1200 to 1500 men and make 600 freight cars daily, President C. A. Liddle states.

New factories are almost an old story in Alabama nowadays. At Gadsden, where seven months ago was a cotton field, now stands an $8,000,000 Goodyear Tire and Rubber plant, built in 135 days, formally opened June 15. Under 75 skilled instructors, sent down from Akron, Southern working men have developed rapidly into tire-builders. Home labor is now doing most of the work of making 5,000 tires a day, capacity production.

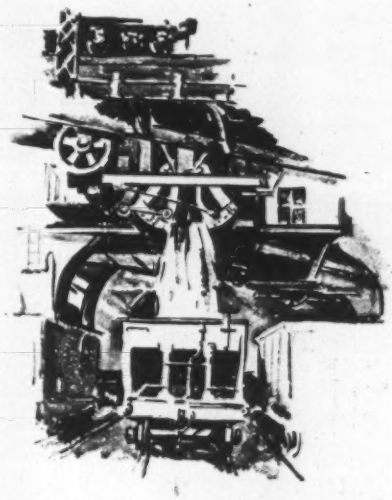
The tendency toward industrial development in small towns and medium sized cities is in evidence in the South. Of 38 plants which have started operation in Alabama within the year, 4 went into Birmingham, a city of 285,000; 2 into Mobile, a city of 75,000; 2 into Montgomery, a city of 60,000, and the other 30 into smaller communities.

Russia ▶

Austins Design Own Factory

ALBERT KAHN, Detroit architect who designed the Packard, Hudson and Ford plants and the General Motors building, is drawing plans for two industrial plants in the U. S. S. R.—the Stalingrad tractor works and the Ford assembly plant at Moscow. Kahn is not designing the automobile plant the Austin Co. of Cleveland is building near Nizhni-Novgorod. The Austins are designing this works themselves.

The Stalingrad plant will cost $7,000,000 to $8,000,000 and may run to $10,000,000. The Moscow plant will cost $3,000,000. In the latter job Kahn's architects are working with Ford's men on the factory layout. McClintic-Marshall



of Pittsburgh has the steel contracts on both these jobs. The Truscon Steel Co., with plants in Youngstown and Cleveland, is furnishing steel sash and other metal parts for several industrial contracts in Russia. Julius Kahn, brother of Albert, is president of Truscon.

Finance ▶

Banking Steps On Accelerator

BANKERS' heads were a little dizzy this week from the speed with which things happened. Formation of the Marine Midland Corp.—they're serious about that name—was outstanding. It is a $1,000,000,000 investment trust for bank and trust company stocks. Organization is on the group banking idea. Corporation will buy banks in New York and later in other states. Stock will be issued at $60. In the first day's trading on a when issued basis it went to $82.

The Irving Trust, one of New York's oldest banks, went into the investment trust field, acquiring the Investment Managers Corp. Bank of the Manhattan Co. decided Thursday to form a holding company to hold its various units. The Continental Bank and the Fidelity Trust in New York are known to be negotiating a merger. National City and Corn Exchange are merging. National City, already the largest bank in the United States, with resources of almost $2,000,000,000, adds $313,116,450 by the merger. It now ranks with the Midland of England and the world's biggest. Corn Exchange is the sixth bank to go into National City. A $120,000,000 merger was consummated in Seattle. The Colonial Trust and Belmont Trust in Philadelphia merged to form a $54,000,000 institution. In Boston the First National Bank, not satisfied with getting Old Colony Trust, is acquiring the American Trust. Two large companies in Pittsburgh merged into an $80,000,000 bank.

Those are a few of the outstanding mergers. The pace of banking development, already fast, seems to be accelerated as the autumn season begins to develop.

Railroads ▶

Plans and Plans, Endless Squabbles

THE railroad consolidation pot is boiling furiously. Happenings this week threaten to blow off the lid. The I. C. C. will have to act speedily to keep the pot from boiling over.

First Wabash filed a protest against the B. & O.'s acquisition of the Buffalo, Rochester & Pittsburgh from the Van Sweringen's Allegheny Corporation, which has been audaciously snatching roads right and left. Then, the Delaware & Hudson, the Pittsburgh & West Virginia, and the Pennsylvania followed suit with similar objections to the B. & O.'s purchase of B. R. & P. To cap the climax comes Loree, stormy petrel of railroad politics, with a plan to merge sixteen eastern roads with his Delaware & Hudson.

Smoke and fumes of conflicting interests make it difficult to see just what it is really stewing in the kettle. Neither Wabash nor the Pennsy wants the B. R. & P., but object on general principles. Each contends that the approval of the B. & O.'s purchase would interfere with general plans for consolidation. Their attitude toward the B. & O. is identical. Wabash wants the I. C. C. to jack up the B. & O. and Van Sweringens, alleging they have not played the game according to the rules. Alleging by their combined activities in buying and shifting control properties essential to the merger programs of the Transportation Act of 1920, they have defied the Commission. This brings to a head the troublous question of the railroad holding companies.

Loree's newest consolidation plan includes the B. R. & P. He has opposed the B. & O. from the start, but now his opposition is redoubled. The Taplins, through their Pittsburgh & West Virginia, have likewise voiced objections to

the B. & O.'s purchase of the B. R. & P. and what with the Pennsy-Wabash interference, the B. & O. has some formidable enemies. However, numbers of shippers and coal operators all along the line are whooping for the B. & O. because they believe its purchase of the B. R. & P. would give them the economies of a direct route to the Eastern seaboard.

Loree's application for a seventeen-road system throws a monkey-wrench into the whole consolidation machinery. The controversy over the B. R. & P. is only a part of the mix-up. It conflicts with plans for four major systems, and is bound to tangle up the consolidation scheme which the Commission will spring soon. The proposed system is the Commission's tentative System 7a, with notable exceptions making it really new.

Consolidation plans may come and consolidation plans may go, but Mr. Loree's scheme takes the cake for comprehensiveness. His proposed 13,553-mile system would be a belt, serving all Atlantic seaports from Portland, Maine to Portsmouth, Virginia. When better plans are built, Mr. Loree will build them.

The I. C. C. will need a strong regulatory stick to stir this fuming kettle properly. Too many cooks are spoiling the broth.

Production ▶

England Tries Profit-Sharing

PROFIT-SHARING schemes have been tried in England for many years. Compared with the number of workers in the country, however, the participants are few. The *Birmingham Post* has completed a survey indicating that 312 plans are now in operation. This does not include those connected with co-operative societies. The 312 concerns employ about 184,000 workers, but only 37,000 participate in the profits. About 132 concerns pay cash bonuses. Average payment per worker, $34 to $47.

Swift Survey of Business Abroad

In cooperation with Bureau of Foreign and Domestic Commerce

EUROPE

NOTHING has developed to mar the general activity and prosperity, save a little crop damage from a drought, now broken.

United Kingdom—Rediscount rate (5½%) still unchanged but uncertainty over possible increase is unsettling. General conditions sustain improvement over last year. Coal unification program, urged by Labor government, now under consideration by colliery owners, may become operative before the year ends. It involves production and market quotas, price regulation and arbitration provisions. (cable)

Germany—Business is considered capable of expansion, but is expected to mark time pending ratification of Young Plan. Basic industries, however, show moderate current improvement; exports of finished manufactures continue to increase.

Belgium—Continued industrial activity, except textile. Additional industrial mergers—chemical, match, sugar, textile. Increasing labor shortage becoming important. American automobiles increased leadership over French and domestic during year. (cable)

Netherlands—Building and construction above normal; shipbuilding well occupied; electrical and radio industries continue expansion. Drought cuts hay crop, points to fodder demand. Other crops fair to excellent. Exports affected by changing East Indies consumer demand, away from old-line staples. (cable)

SOUTH AMERICA

Rains avert crop losses in Argentine; East Coast and Caribbean business conditions generally slow.

Argentine—Rains over an extensive area relieve threat of serious crop and cattle losses, except actual damage to flaxseed. Wheat now reported fine. (cable)

Provisional $32,000,000 government agreement with D'Abernon Mission providing for purchase British goods during next two years, meets little business favor notwithstanding local anti-U. S. tariff sentiment.

Brazil—Exchange and money market somewhat improved. Rio business quiet but Sao Paulo more depressed. Important bank failure during week; liabilities reported will be covered within one year. D. A. Silveria replaces Silva Gordo as head of Bank of Brazil.

Panama—Still quiet, collections slow. (cable)

Cuba—Unsettled and extremely slow. Older firms feeling competition of new houses with greater selling power. (cable)

Porto Rico—Dull; lower bank clearings and customs receipts.

FAR EAST

Spotty conditions continue, ranging from restricted business in Japan and Australia, quiet in China, to normal in Dutch Indies, but with no marked activity anywhere.

China—Slightly increased tension due to deadlock in Sino-Russian negotiations. Considerable local flood damage to Shantung crops but record tobacco harvest forecast. North China trade quiet; money tight. Troop movements limit freight on the Nanking-Mukden Line; may disturb the regularity of seasonal outbound shipments. (cable)

Philippines—Inactive except copra. Typhoon losses below expectations. (cable)

What the Figures Show

FIGURES OF THE WEEK

PRODUCTION	Latest Week	Preceding Week	Year Ago
Steel Mill Operation (% capacity)	86	88	77
Building Contracts (F. W. Dodge, daily average in thousands)	$20,553	$19,650	$19,891
Bituminous Coal (daily average, 1,000 tons)	1,882	1,782	1,787
Petroleum (daily average, 1,000 bbls.)	2,965	2,956	2,505
TRADE			
Car Loadings (daily average all classes, 1,000 cars)	203	193	198
Check Payments (outside N. Y. City, millions)	$ 6,235	$ 5,539	$ 5,736
Wheat Receipts (1,000 bushels)	12,023	13,587	15,030
Cotton Receipts (1,000 bales)	454	400	357
Cattle Receipts (1,000 head)	297	291	303
Hog Receipts (1,000 head)	414	482	344
Wool Receipts (1,000 lbs.)	11,902	3,764	3,662
PRICES (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ 1.25	$ 1.20	$ 1.05
Cotton (middling, New York, lb.)	$ .190	$ .192	$ .178
Iron and Steel (composite, ton)	$36.52	$36.52	$35.13
Copper (electrolytic, lb.)	$ .178	$ .178	$ .145
All Commodities (Fisher's index, 1926-100)	96.3	96.3	100.3
FINANCE			
Total Loans and Discounts, Federal Reserve member banks (millions)	$17,141	$17,150	$15,879
Commercial Loans, Federal Reserve member banks (millions)	$ 9,563	$ 9,518	$ 9,065
Brokers' Loans, New York Federal Reserve member banks (millions)	$ 6,569	$ 6,474	$ 4,470
Federal Reserve System Ratio	73.8	73.7	69.9
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	26,400	22,412	22,840
Stock Prices (N.Y. Times, average 50 stocks)	$299.11	$303.79	$203.88
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$46,710	$43,506	$48,206
Bond Prices (Dow, Jones, average 40 bonds)	$ 92.30	$ 92.34	$ 96.52
Interest Rates—Call Loans (daily average)	8⅛%	7¼%	7⅛%
Interest Rates—Time Loans (daily average)	9%	9%	7%
Business Failures (Dun, number)	397	300	405

ALTHOUGH the latest weekly figures are generally encouraging, they suggest some uncertainty as to whether present high levels will be long maintained.

Steel mill operations are still on the decline. The Steel Corporation is at 88½ capacity compared with 91% in the previous week and 79% last year. Independents are down to 81%, about the same as last year. The average for the industry is now probably around 85% against 80% last year. Railroad equipment and rail buying are encouraging. Railroads have more money to spend, if they will. But rail buying is a regular fall performance, and railroad demand, at best, cannot raise operations much. Automobile steel demand has definitely slumped, with production running more to the lighter cars, and even Ford operations falling off. Steel buying in general is definitely on a hand-to-mouth basis again, and backlogs are disappearing.

STEEL demand is being sustained somewhat by structural steel orders, as building contracts run more definitely to heavy construction. Orders in the latest week were up from about 44,000 to 50,000 tons. The strength of structural demand is shown by the fact that new orders for August were 95% of capacity, highest this year to date, excepting March.

Building generally is holding up well under heavy construction contracts. Daily average awards, according to Dodge, ran above the preceding week and above a year ago. Heavy construction in *Engineering-News Record* figures, was up nearly $14,000,000 for the week ending September 19, although slightly below the corresponding week last year. The year to date for heavy construction shows an increase of 19% over 1928.

BITUMINOUS coal production is still running, on a daily average, above the preceding week and last year. Prices show no special strength, however, because production is keeping close pace with consumer demand.

Petroleum output rose again for the latest week and is still about last year. Restriction efforts have shown less effect in California than East. Crude oil production this year is almost 100,000,000 barrels over last, but prices are still holding.

Wheat movement to market continues to drop off, but cotton, live stock and

wool are being marketed in volume above last year at this time.

PRICES, on the whole, are due for a slight weakening. Wheat and cotton have shown a disappointing lack of strength under unfavorable crop reports. In fact, farm products showed a slight price decline from in August due to decreases for most grains and live stock. Iron and steel and copper are holding their level, but the sharp drop in scrap steel prices probably indicates the extent of prospective falling off in steel operations. The general price level, by all indexes, was still stable for the latest week.

The weakness of grain and cotton prices puzzles the market. Speculation in both commodities is very slack. Some cotton traders expect the final crop will be larger than the forecast. The visible supply of grain and cotton is exceptionally large—of wheat, more than double the past year, while the movement of cotton into sight since the first of August is more than half a million bales larger than last year. Grain exports are still lagging far behind last year's. Cotton exports have improved slightly lately, but, for the season, are still running behind a year ago.

THE trade movement seems to continue at a fair level, somewhat above last year at this time. Money turnover, by check, was higher for the latest week and above last year. Rail movement of goods for the latest week fell off because of the holiday, but the daily average was higher than the preceding week and above last year. The car loading volume is so strong, there is some talk of car shortage in special lines like coal this fall.

The number of business failures, according to Dun, rose sharply for the latest week above the preceding week, but are still slightly below last year.

Money and the Market

UNCERTAINTY in an extreme degree continued in Wall Street this week. Even the leading stocks showed distinct signs of exhaustion which has marked their course the last fortnight. Absorption of a huge amount of securities recently has left the market in an overbought condition. Stocks making new high prices for the year again outnumbered those making new lows, but not by many. Volume of stock trading was generally somewhat heavier than last week.

Money continued its uneasy gyrations between 7% and 10% as last week. Certainty grows that ease is not much to be expected. Nor were the international aspects of a dangerous credit situation in any way improved in the week.

The Bank of England rate question continued suspended above the market on the proverbial hair. The rate remained at 5½% but developments were sinister.

Gold arrivals in London were in good volume. Not only was the Bank of England unable to take any portion of these in the open market, but it also lost an additional half million pounds from its own gold reserves.

Both the Reichsbank in Germany and the Bank of France gained some gold for their reserves. Most of this came from London by purchases in the open market. Talk continued of possibility of a lower German rediscount rate. Sterling in terms of both francs and dollars through the week was repeatedly at the year's lowest point. New York took gold in considerable amount, imports totaling $6,185,000, of which $2,537,000 were from England.

Treasury operations of the week added a quite abnormal factor to the money market. Mr. Mellon's corps, along with the Federal Reserve, fooled Wall Street. Treasury transactions totaled about $1,800,000,000. Normally Treasury makes its interest and other payments of the fifteenth and has a large overdraft on the Federal Reserve until tax payment checks are deposited.

This overdraft usually has been largely upon the New York Reserve bank, and the resulting unusual extension of additional credit in this manner greatly eases money for a short period. Wider distribution of the Treasury overdraft plus removal of much of the lag between the two operations caught the Street with higher money unexpectedly.

Time money tightened distinctly this week, all maturities rising to 9%. This rate is near the all-time high for funds on time and reflects a very dubious sentiment in regard to rates any time in the near future. However, time funds are a very small total when compared to the amount on call, being only about 5% of the entire brokers' loans total.

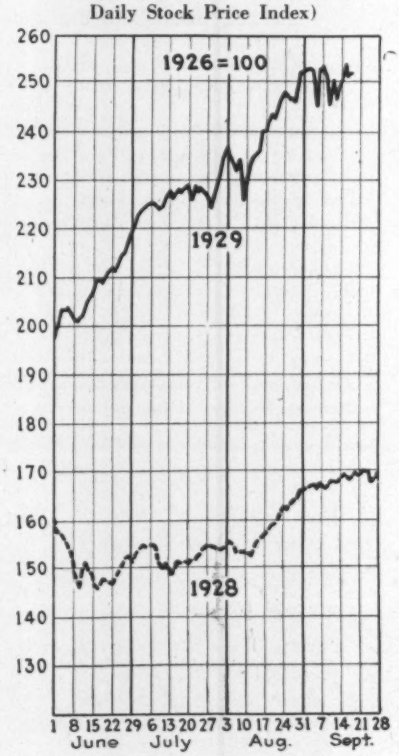
Credit extended by member banks of the Federal Reserve system declined slightly in the week. Loans on securities declined by $54,000,000 while other loans went up $45,000,000. This is apparently in the direction of Federal Reserve desires, but should not be taken too seriously.

Brokers' loans skyrocketed $95,000,000 in the week to $6,569,000,000, another new high record and a total increase of more than $600,000,000 in the last five weeks. Wall Street was surprised and worried. Everyone concerned contributed more to the growing total, with out-of-town banks sending the most to the corner of Wall and Broad. An increase in speculation on borrowed money to such an extent doesn't speak well for the market's technical position.

Bills discounted by the Federal Reserve banks dropped to $933,000,000, the lowest point since early spring. The Reserve continued to feed out funds through bill purchases, buying $19,000,000 more. Government security holds were up, but because of Treasury financing, hence this can not be considered as significant.

THE MARKET DAY BY DAY

(Standard Statistics Company's Daily Stock Price Index)



Building Hasn't Collapsed

THE August construction figures, now in, look a little shaky at first. Dodge figures of contracts awarded in 37 states show a drop of 25% compared with July (an unexpectedly high month), and 5% compared with August a year ago. A Straus survey of building permits in 577 cities shows a decline of 11% compared with July and 18% as compared with August, 1928. This means merely that there may be less building this winter, which is to be expected. The changes are not uniform in all parts of the country. Of the eight Dodge districts two showed increases over the previous month and three over a year ago. In the Straus figures Chicago showed a gain of 21% and Boston of 84% over a year ago; and thirteen other cities also increased.

Even with the August slump the total contracts awarded, according to Dodge, during the first eight months are so far only 9% under last year, which is not so bad.

Heavy construction is what holds building up, while residential construction is slack. *Engineering-News Record* figures show an increase of over $43,000,000 in contracts for waterworks, sewers, bridges, industrial and commercial buildings, streets and roads in August over July this year, and the first eight months' contracts are 20% over the first months of 1928.

▼

Foreign Trade Still Lively

AUGUST exports dropped to $382,000,000 from $403,000,000 in July, but were still higher than in August last year. In fact, exports were at a high mark for August, exceeded only once since 1920. Imports rose quite sharply in August—$377,000,000 compared with $356,000,000 in July. This is also a high mark for August imports since 1920, probably due to the effort to bring in dutiable goods before the new tariff puts the screws on.

The weak position of four farm exports is shown in the Department of Agriculture index for July, just available. Exports of forty-four principal farm products were slightly better than in July a year ago, but still about 30% lower than in the pre-war period, in quantity. The feature of the month's trade was the low exports of cotton and the material increases in outgoing grain, meats and meat products. Cotton exports were about 65% below pre-war, and this July's foreign markets took less cotton than in any July since 1925.

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August Employment Good

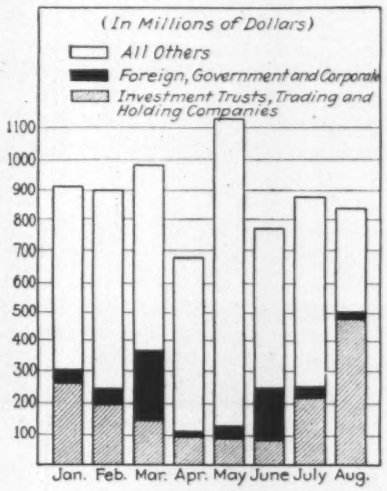
GENERAL employment was 1.1% higher and payrolls 3.9% higher in August than in July. Every occupational group except retail trade showed a gain for the month. Employment in manufacturing rose less than 1% but payrolls increased 4%. August employment in manufacturing was above every year since 1923 with the exception of August, 1926, which about equalled this year's August. Payrolls in August showed a greater increase over July than any year on record. Manufacturing employment was 5.3% above last year and earnings 8.4% greater.

Most industries shared in the gain from July to August except foundries and machine shops and automobiles. Automobile employment declined 2.4% —the first decrease under July in twenty-one months—but the total payrolls in automobile plants increased 16.2%. Probably more skilled men were kept on, putting through new models.

New York State factory employment showed similar strength, rising 6% above that of a year ago.

NEW CAPITAL FLOTATIONS IN 1929

(Commercial and Financial Chronicle)



Railroads Make a Little

THE first seven months' earnings record for Class I railroads shows an increase of nearly 23% over 1928—mostly in eastern and western roads. This will make the return on the book value of property investment 5.57% in 1929, so far, against 4.6% last year. The July figure, 5.73%, as compared with 4.51% last July, has not been seen in quite a while in railroad finance.

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Cotton Plugs Along

THE cotton mills used somewhat more cotton in August than in July and than a year ago. In fact, consumption was highest for any August since the war, except 1927. Active spindles were about the same in number in August as in July but about 2,000,000 more than in August last year—this in spite of the continued policy of closing mills one week during the month, even in August.

The cotton textile business seems to be doing as well as could be expected, considering. August production of standard cotton cloths was 1.7% above last August, and sales were 8.3% less. But the cheery note is in the decline of 17.6% in stocks on hand and the increase of 22.9% in unfilled orders on August 31 this year as compared with last.

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Chains Break More Records

Fifty chain store systems are in with their good marks for August. Sales increased 30% above last year.

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Statisticians, Too

Ernst & Ernst, accountants, enter the computation on corporation earnings with 749 companies (leading Standard Statistics with its 515, and giving the National City Bank, title-holder, with 916, a run for its money) but showing only a miserable 29.43% increase for this half over last years'. The other two contestants worked up increases of 36.6% and 40.5% respectively.

If the earnest Ernsts lose, it may be because they say things like this: "The automobile group . . . shows one of the smallest percentages of gain.'

Mergers That Don't Emerge

Three out of four mergers that are planned and ought to be made fail because of clashing personalities

NEWSPAPERS herald almost daily the formation of gigantic mergers. Only faint whispers tell sometimes of a consolidation that failed. The truth is that fully 75 per cent of all attempts at mergers are unsuccessful. Most of these can be blamed on the frailties and caprices of human nature.

Management is 60 per cent of the merger problem. Are there executives in any of the companies able to direct the destinies of the entire group?

Says a banker: "One merger was all ready. But we had to find a man within that industry capable of running it. We had even set his salary—$100,000. This industry is made up of little units. Acquaintance made during the negotiations with the various executives revealed that the horizons of these men had been fixed by their little jobs. They had neither big experience nor the power to develop a bigger view.

"Many bankers tried to help us by looking among their connections for an executive, but nobody could dig up a big enough man who was acquainted with the technical conditions of this industry. We would not put out securities for a merger without good management to ensure profits. Somebody was out a $100,000 job. And a perfectly good merger fell to the ground."

Another merger has just been broken up by the sudden death of a man who was depended upon to head it. Another collapsed with the sudden death of the principal owner of one of the companies. Options which he had obtained on the other companies elapsed before his estate could be settled. A furious scramble has since made the merger impossible.

A and B announced a merger which both perceived was backed by economic principles. In the month of close contact while negotiating details, Mr. A discovered that he didn't like Mr. B at all. It was mutual. Yet they would have to work together. A plain case of incompatibility. The merger is off.

WHEN two companies unite, which of the two presidents shall be the head man? A merger of two New York banks fell through at the last moment because one president, always considered very progressive and energetic, refused to let himself and his pet organization become secondary. Yet many people consider the other president still more progressive and energetic. His progressivism carries perhaps a later date line; as of 1929 rather than 1920, when the president of the first bank made his reputation. Some stockowners felt that ten years' advantage of modernity was valuable. Others considered ten years' advantage in conservative experience was too valuable to relegate to second place, especially because it included the stormy times of inventory liquidation. These two banks decided that they could run along independently.

Were it not for the useful device of making one man Chairman of the Board and the other President, we might not have any mergers at all! A Chairman of the Executive Committee sometimes makes room for a third man, and in one or two cases, there is a Chairman of a Finance Committee. Many textile companies are really controlled by the Treasurer. There are usually enough titles to save face for everybody.

Many a strong executive good-naturedly assumes a subordinate title while he does the real work of titled figureheads. The merger diplomat must persuade Davis that his proposed title (whichever it happens to be) is the more important, then go into the other room and persuade Dayton that even titles don't mean so much, if his personal power will dominate.

CONSOLIDATION of Filene's of Boston, Bloomingdale's of New York and Abraham and Straus of Brooklyn is being held up by a difference in opinion between two Filene brothers as to whether they should make the change. The company's president and general manager Louis Kirstein, favored the affiliation.

Even an accidental overstatement offers a reluctant party an excuse to withdraw from a merger. In a Mid-West steel proposition, one corporation overstated its position entirely accidentally by omitting to include one of those tricky tax items of $1,000,000 in the right place. The other corporation meanwhile had concluded that it was selling itself too cheaply anyway, apart from that item, and took this opportunity to terminate negotiations.

Louis K. Liggett says, "Pitfalls lie ahead of financiers who chain existing independent drug stores. Financiers estimate the future business of the chain by adding the present business of its members. They assume that each store will hold its present business. That is an error."

Patronage of a drug store is largely personal patronage of the druggist. Many of the former owners will get tired of working for an overlord and decide to live in Florida. The manager put in by the chain will by no means be able to show former volume. Former owners who stick to the job don't work so well under the fretting of chain management.

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Bankers Draw Battle Lines

Chain, Branch, or Unit—Which Plan Will Win?

WHAT kind of banking structure are we going to have?

Change is upon us. What direction will it take? Are we headed toward five great banks with 26,000 branches? Or five great groups or chains of 5,000 members each? Or a hybrid conglomeration?

Today we have 26,000 banks, for the most part individual, independent. Representatives of 20,000 of them will meet Sept. 30 in San Francisco. The future of American banking will be their principal concern. They are expected to recommend changes in the banking laws. What they say will carry great weight with Congress.

Business is deeply interested. Banking is a service industry. The needs of business dictate imperiously the direction of banking evolution. American business has found abler management, economies of operation, in mergers. It has built huge corporations that demand huge credit facilities. Bigger banks had to be put together to meet the need. Big Business is interested in seeing that Big Banking is allowed to keep pace.

Not that American business men are cheering in unison for the big banks. There are dissenters. Smaller business men complain the small banker used to be a good friend in need. Now he'd like to be—but he's in a chain, and taking his orders from remote and impersonal headquarters.

The medium sized business man also has been heard to grumble a bit. When there were five sizeable banks competing for deposits and desirable loans in Millionopolis, he could shop a little. Today there is only one bank in Millionopolis big enough to swing a big loan. Take its terms or do without. (Maybe that occurred to the bankers when they planned the Millionopolis mergers—who knows?)

The credit organization of the whole world has been in flux since the war. Changes have been sweeping, radical. In the other great countries of the world, the evolution toward highly centralized control of a far-flung network of branches has gone swiftly forward.

The same powerful forces have pushed in the same direction in the United States. But with us, the natural trend struck a snag—our highly restrictive banking laws. The forces compelling bigger combinations of banking capital were too strong to be denied. Yet there was the law. What to do? Evade it, of course. That's what the bankers did with considerable speed and admirable ingenuity. Chains are one evasion. Various grotesque hybrid corporations—almost monstrosities—are another.

THE bankers don't like the awkward situation. Bankers and lawmakers alike are clamoring to have the question settled. Congress probably will act—certainly will debate—at the next session. The factions are lining up for battle.

The point of attack upon the problem will be the national banking law. National banks are fewer each year. State laws offer wider latitude, better enable banks to meet modern business demands. The name "National" isn't the asset it used to be; "Member of the Federal Reserve System," means about as much to the public. The desertion of the national system has gone so far that the Comptroller of the Currency was moved to say publicly that the system is facing "deterioration." The government's control of the nation's banking is through the national system. Thus the government is gravely concerned.

Among the bankers who will fight it out at San Francisco this month there are three factions.

First, the individualists, the conservatives—and conservatives have always been numerous among bankers. They believe the system of individual banks unrelated, competing, is peculiarly suited to the needs of the nation in which it is a tradition. After all, that is the system under which our greatness was built.

Second, the proponents of branch banking. They believe in a few great banks, thousands of branches. The entire resources of the gigantic institution at the service of any community, unhampered by the size of local deposits, unaffected by local depression or disaster.

Third, the chain or group bankers. The chain system has powerful friends. They profess to believe the community gets better service if the bank has its own local officers, is keenly local in sympathy, yet they see advantages in its close affiliation with a great metropolitan parent institution.

But most chain bankers are branch bankers at heart. Many chains would be converted to branch systems almost overnight, if a change in the law permitted. Chains are evasions of law. Forbidden to buy banks or establish branches in other cities, other states, great banks organize holding companies which can and do buy as many banks as desired. This is going on at a great rate.

NO one knows which faction is strongest. The extent of the ramifications of many of the chains is a well-guarded secret. Many a city of 100,000 would be startled to discover who really owns its leading bank. Many an individual banker, tempted by the whooping bull market in bank stocks, has quietly sold

control to a chain. Remaining as president, of course.

The battle will be interesting. It seems a foregone conclusion the forces favoring more liberal banking laws will win something—but they will not call it victory unless they win a good deal.

The battle began in Los Angeles in 1926. The American Bankers' Association had a bitter fight on the subject then. It ended in a compromise that virtually wrote the provisions of the McFadden Act of 1927. Somewhat broader privileges were given national banks by that act. Before the ink was dry on President Coolidge's signature, the fight was on again.

OUR northern neighbor provides an interesting study. The post war merger trend was as prevalent in Canada as here. Where formerly individual banking had prevailed, ten large banks with nationwide branches now hold the field. Advocates plead that greater stability and dependability has been achieved. In Great Britain the same thing happened, but went on until only five huge institutions were left. In both France and Germany, consolidation has gone far.

Figures tell what has been happening here:

Banking assets total $71,000,000,000. From $15,000,000,000 to $25,000,000,000 of this amount is held by chain or group systems.

Twenty-six cities in the United States have 300,000, or more, population. In each such city, more than one-half the banking assets are controlled by ten or fewer banks. In these cities are 1,229 banks with deposits of about $27,000,000,000; 258 banks hold all but $7,000,000,000.

Glance at New York City. The Bank of Manhattan is the sum of 15 separate institutions. Manufacturers Trust is the sum of 20 banks, Chase National of 12, Irving Trust of 12, National City of 5, Bank of United States of 9.

Concern for the national banking system is based upon such facts as this: From June 1928 to June 1929, resources of national banks declined $1,068,000,000. The number of banks decreased by 155.

In the same year member banks of the Federal Reserve system decreased 222 in number, but assets of the Reserve banks went up $816,000,000.

Examples of recent heavy losses to the national system: The National Bank of Commerce merged with the Guaranty Trust in New York, leaving the national system, taking $730,000,000. The Chicago Continental and Commercial National merged its $635,000,000 commercial banking resources with the Illinois Merchants Trust.

AFTER all, the actual decision is going to be made in Washington. Governmental opinion is divided. Here are the more important individuals and groups there and something about them.

Andrew W. Mellon, Secretary of the Treasury, formerly of the Mellon National in Pittsburgh. Ultra-conservative and not at all certain that a change should be made. He will give his views to Congress in December. He said recently his mind is not made up. The Treasury has received letters from 3,000 bankers; there is no unanimity of opinion.

John Pole, Comptroller of Currency, direct custodian of the national banking system. Ardently in favor of liberalization of the laws for branch banking. Like his predecessor, J. W. McIntosh, feels some action is imperative to save the national system. The law commands him to make recommendations to Congress for the welfare of the national system.

Federal Reserve Board. The Reserve people have not felt the strain of withdrawal of national banks as has Mr. Pole, because although banks leave the national system, they stay in the Reserve System. As national banks, the law compels them to be members of the Reserve. As state banks, membership is optional. The Reserve system is thus founded upon national banks. The Board is studying the question and will take a stand, but what stand?

Congress, the unpredictable. Louis T. McFadden, former Pennsylvania banker, is chairman of the House committee on banking and currency and author of the 1927 act. Speeches in the past put him on the record for liberalization of the laws, but recent indications are that he has veered.

Peter Norbeck is chairman of the Senate committee on banking and currency. He is a former North Dakota well driller, a lukewarm friend of the Federal Reserve system.

Let your business card express the quality of what you sell!

SALES talk prefaced by Wiggins Engraved Salesmen's Cards need not be verified as to the quality of whatever is offered. The cards themselves attest this.

Location never affects the fulfillment of orders for Wiggins Engraved Salesmen's Cards. They are handled with speed and accuracy, but *never* at the expense of quality!

A request will bring a tab of samples of engraved salesmen's cards, done for business leaders.

The John B. Wiggins Co.
1153 Fullerton Avenue
Chicago

WIGGINS
Engraved Salesmen's Cards

Laboratory Wipes Out Old Crafts

THE trend toward mechanization of industry continues. One by one the man in the laboratory wipes out the picturesque skilled craftsman.

The iron puddler who mixes pig iron with slag to make wrought iron sees his job slipping. A new process developed by A. M. Byers Company does mechanically about 60 times as much work as one hand puddler, and does it just as well.

Ford has recently installed a single machine tool which replaces 18 machines required to machine the balls on radius rods. Spicer Manufacturing Company is getting a new machine which is expected to release 55 men.

A German inventor has perfected an optical pyrometer which may replace the man with an eye for the right shade of cherry red in hot metal. An automatic polishing machine may eliminate a great deal of hand labor in preparing metals for ultimate use. And so it goes. Everywhere men are poking and prying into the nature of things and processes, trying to discover how they can be made or performed quicker and better and with less human effort. Many of these developments mean temporary distress to the replaced workers but ultimately conservation of human effort is highly desirable to the community.

"I'm not worried about the future a-tall! We're pretty well established on Park Avenue now."

SINCE 1858, THE WORLD'S LARGEST MAKERS OF QUALITY BAGS

"A series of experiments proved...

I... that the use of these bags makes for economy of storage space to both the shipper and the customer.

II... it makes for greater ease of handling, in loading, unloading, and in storing in customers' warehouses.

III... we are able to pack the exact weight of material the customer requires per batch of his product, eliminating the necessity of scooping and weighing."

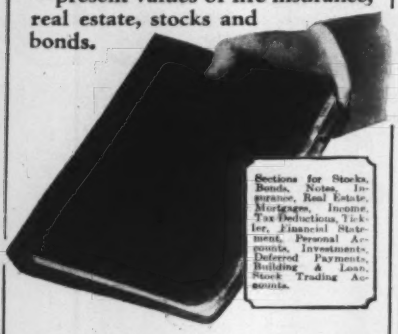
In these words, C. K. Williams & Co. of Easton, Pa., tell us why they are now using Bemis Bags to ship their dry colors and fillers. They also say, "An added advantage is that of protection from the weather." Many hundreds of different products are shipped with just such economy and safety in Bemis Bags. How about yours? Get the advice of our Packaging Engineer without obligation. Address Bemis Bro. Bag Co., 403 Poplar St., St. Louis, Mo.

BEMIS BAGS

TWINES AND THREADS FOR BAG CLOSING N19

Let This Book Show You the Way

To financial independence—freedom from worry over money matters—obligations coming due—money coming in—tax deductions—present values of life insurance, real estate, stocks and bonds.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The Week's BUSINESS Speeches

THOMAS A. EDISON, octogenarian inventor and scientist:

"The man who has reached the age of 36 is just about ready to discard the illusions built upon false theories, for which wrong instruction and usually ignorance previously have made him an easy mark.

"At 36 he is just beginning to get down to business. If he is really worth while he has passed through a period of hard knocks by that time. The youthful man never leads the easy, sheltered, knockless, unshocked life. At 36 he ought to be prepared to meet with realities, and after that period in his life, until he is 60, he should be able to handle them with steadily increasing efficiency.

"Subsequently, if he has not injured his body by unhealthy living, he may very rightly continue to be increasingly efficient up to his eightieth birthday, and in exceptional cases until ninety."

Only those institutions survive which can adapt themselves to new conditions.
—Owen D. Young

JULIUS H. BARNES, president of The United States Chamber of Commerce, on his return from Europe and the International Chamber:

"Until Europe's wages rise nearer our own, it is essential that America secure in its own markets an equal chance to the products of its own high wages. This it is doing by framing a protective tariff that aims at equalizing differences in living standards, not for complete exclusion. Europe is beginning to understand that this is only fair.

". . . . Europe is beginning to recognize that American prosperity provides the tourist flood for its new gigantic steamers, spending its annual hundreds of millions of dollars into the international trade balance sheets.

"It is the time for frankness and goodwill, not for irresponsible threats of exclusion and reprisal. There is a great era opening in world trade as in all lands earning and buying power improve. America can get its share, get it fairly and with goodwill."

The great trouble with most men who have been educated is that they become uneducated just as soon as they stop inquiring and investigating life and its problems for themselves.—Newton D. Baker, former Secretary of War.

HERR STRESEMANN, German Foreign Minister:

"A European federation which would be dominated by one power and which would be used by this power as a figure on the political chessboard for its conflicts with other great powers is out of the question as far as Germany is concerned. Equality must first be re-established between European states and a peaceful revision of the dictatorial Versailles Treaty must be carried through before we can discuss such a combination. Not a Pan-Europe but a new Europe is the question of the hour."

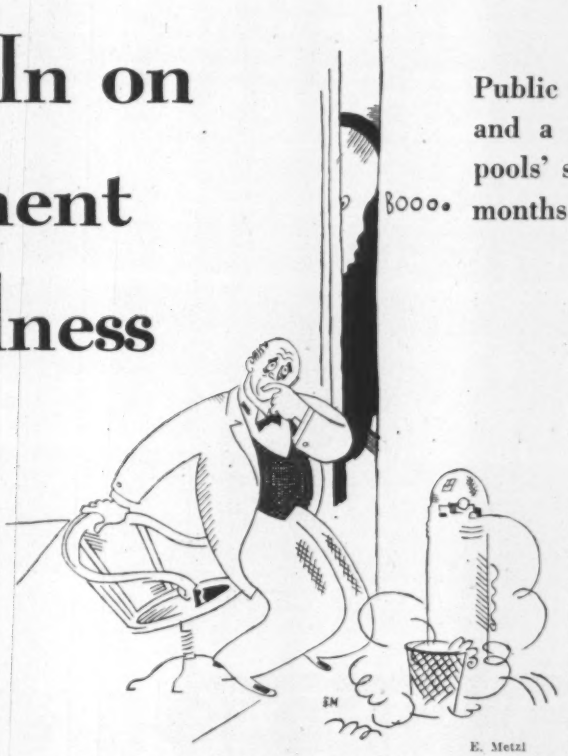
We must get the price of electricity in the quantity necessary for a thoroughly equipped electrical home down to a figure which would make the housewife see how uneconomical it would be to spend her time and strength on tasks which electricity could do better, more quickly and at such small cost.
—Matthew S. Sloan, president, National Electric Light Association.

HENRY S. DENNISON, president, Dennison Manufacturing Company:

"Until recent years, it has not been at all the common practice among business concerns to attempt to plan their courses on paper in advance. The form of organization and quality of men had to be such as were best able to meet emergencies. The distinct trend now is to try to avoid emergencies, by making and examining pictures of the possibilities the future may contain. With some truth it can be said that modern hand-to-mouth buying has made hand-to-mouth thinking possible."

Cashing In on Investment Trustfulness

Public buys billion and a half of blind pools' stocks in eight months



"... *how nervous the speculator is*"

A NEW road to profits has been found. Significantly it has been discovered by the investment trust, latest and favorite device of the financial professional in his effort to take utmost advantage of the speculative delirium while it lasts.

Naturally the new trusts cannot keep on going up in the market unless they show extraordinary profits. How can they achieve these profits? To a certain extent by exercising their legitimate function, which is to buy and sell other securities.

But this method is not fast enough, even if the market as a whole keeps on going up. A more radical method had to be found in order to take full advantage of the present extraordinary situation.

It was found.

The new road to profits lies in the forming of subsidiary investment trusts.

The year opened with 172 trusts with capital of $1,500,000,000. Sept. 1, there were more than 400 of them capitalized at $3,000,000,000, of which one-third had been raised in seven months. New trusts preparing for the market seek $2,000,000,000 more for the next six months. The total now in sight is $5,000,000,000.

Now this is a phenomenal situation. It reflects, of course, a wave of speculation unparallelled even in American financial history. Investment trusts, as perhaps the most highly perfected financial device in existence for taking advantage of public foolishness, have naturally followed the tide. Now they have jumped to its head.

It is indeed extraordinary that the notion that somebody else can invest your own money better than you can yourself should have gained such headway in such a short time. The public is naturally ignorant of what happened to English investment trusts in the late 'eighties. It will follow the trusts anywhere. The trusts accept and lead on, ever faster.

But how do they invest the public's money?

Well, the less reputable do not invest it at all. They merely create subsidiaries which they purchase with the money which the public has turned over to them. It is as remarkable and as scandalous a case of pyramiding as has turned up in many a decade. And its scale is unprecedented.

The manoeuvre is simplicity itself. Arctic Equities, let us call it, is organized by Bullish & Co. It has, say, a capital of $100,000,000 in 5 per cent, preferred. The public buys this stock at $100 per unit of one share of preferred and one share of common. Bullish & Co. really pay cash for $20,000,000 in 5 per cent preferred. As compensation for organization and management they receive 3,000,000 out of the 4,000,000 shares of common stock. Arctic has a following, the market is strong, the common advances to $70.

Just before the annual report comes out, Bullish & Co. sell 200,000 shares of common at the market. The profit is $14,000,000. It impresses the mob. The mob clamors to get aboard. Bullish & Co. are obliging. They launch Arctic II, with 10,000,000 shares of common for the public at $50 and 1,000,000 shares of management stock for Bullish & Co. at 50 cents. A syndicate buys some management stock at $5, which is resold to retailers at $8. Management stock goes to $25. The profit is impressive, gigantic. Bullish & Co., proceed to launch Arctic III, IV, etc. It is as simple as day.

FOR just so long as the public will push upward any security offered to it the promoters will indefinitely manufacture more securities by the simple device of creating subsidiaries.

When one realizes that the public has got to the point in hysteria where it is susceptible to this sort of chain-letter finance one cannot pretend to be astonished when, as on Sept. 5, the admonitions of a statistician that the market would collapse like the Florida real estate boom actually did send prices down 5, 10, 15 points. It will require more than a cry of "Boo!" from Wellesley Hills to stop the upward march of the market. But what happened Sept. 5 shows how nervous the speculator is, for all his brashness.

It is extremely probable that the definite turn of the market downward will synchronize with the unsuccessful launching of some sort of gigantic super-investment trust, a huge device gotten up to take over and hold all of the others.

AS A BUSINESS EXECUTIVE

You must have a keen appreciation of the selling appeal of the "talkies." Twenty million persons each week file into the motion picture theatres of America! What a boon for your business—if you could harness this powerful medium of the talking screen to your own special devices! Stan-a-phone will do this for you! Stan-a-phone is a comparatively inexpensive, portable talking film equipment, neatly packed in a carrying case and easily transported in a taxicab. Stan-a-phone is adaptable for use in a tiny office or an auditorium of 1,000 seats. Write for literature and particulars.

STAN·A·PHONE

The Stanley Film Advertising Co. has achieved an outstanding leadership in its field by giving satisfactory service to such institutions as *Canada Dry, Gorham Silver, Barbasol, Royal Typewriter, American Car and Foundry, Biltmore Hotels, J.C. Penny Stores, Locke Insulator, Consolidated Gas,* and others. In keeping abreast of newest developments, Stanley has extended its service to include the production of talking films. Talking films, as dramatic and entertaining as the best in the theatres, can be made to do the bidding of sales propaganda, advertising and the building of good will. In silent films, too, Stanley continues its service on an enlarged scale. What is your merchandising problem? Let us study it and suggest a complete movie campaign, relieving you of the responsibility of production, distribution, and exhibition—confronting you only with results.

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Accompanying this indefinite pyramiding by investment trusts, a sort of legend has grown up in brokerage houses that the presence of these institutions in the market makes the market infallibly bullish. Customers' men tell their clientele that the trusts are active again. The word flies from customer to customer. It gets about that the stubbornness of the market in the face of any movement of decline is due to the persistent support offered by the trusts. It is true that the trusts can afford to offer support to a momentarily declining market by orders to purchase on the scale down and in many cases it is doubtless their policy so to do, for a rising market is necessary to the continuation of their prosperity. That they are able to step into the breach so powerfully in a moment when the market wavers is due, however, only to the circumstance that they can secure an indefinite amount of cash from the public by the simple tricks which have been described here.

It is simple to account for the failure of the market to go down and stay down. The rapid recoveries which we have seen will cease only when the public quits scrambling for securities of investment trusts.

All that one can seriously say of the present spectacle of the investment trust bubble is that it must make such gentry as the late great Messrs. Gould, Fiske, Drew, not to mention the latter-day John W. Gates and Daniel G. Reid, turn in their graves with chagrin at the terrible realization that there was one device of which they never thought. As a device that can be used for the exploitation of the gullible, the investment trust is of a pristine beauty and simplicity which defies comparison.

The moral of all of which is that one must not treat investment trusts in the light of faithful superstition just because they bear that holy name any more than one treats any other security according to its high-sounding name. Investment trusts are just now the fashion. But let it not be forgotten that many of them would more worthily bear the rough old name of blind pools.

The investor can no more give his money to so-called investment trusts indiscriminately than he can give his money to individuals indiscriminately to speculate for him.

Great caution must be exercised here as elsewhere in the choice of the persons to whom trust is to be confided. Just as a contract has no more value than the signature upon it, so an investment trust has no more merit than the integrity and sagacity of its sponsors.

The Sad Tale of Ribbon

OLD-FASHIONED luncheon clubs still sing the ancient ballad about the charming lady who wore a yellow ribbon around her neck, but the ribbon manufacturer finds no joy in the song. He chimes in with tears in his voice and sadness in his heart. He knows that the charming lady and her ribbon are but a pleasant memory.

Ladies nowadays don't wear ribbons around their necks, or much of anywhere else, for that matter. They deck themselves in severe felt hats and tailored suits almost bereft of ornamentation, a pernicious practice which has brought such disaster to the ribbon manufacturing industry that within five years a dozen factories have ceased operations. Department stores which once boasted ribbon counters a block long now sell ribbons on a few skimpy tables in dim corners.

In actual figures, the value of ribbons manufactured in the United States declined from $52,061,180 in 1925 to $36,040,945 in 1927. There has also been a tremendous decline in imports. During a fiscal year comprising half of 1927 and half of 1928 the United States imported $225,126 worth of ribbon, a loss of $211,385 since 1924-5.

However, the future appears more roseate. If women generally follow the orders of the style barons there may be a considerable stir in the ribbon business. Manufacturers expect that next spring's styles will show a tendency toward more trimming, and that dresses will be gay and reasonably beribboned.

Encouraged by the prospect, the ribbon companies have raised a large central fund, and are planning energetic campaigns to make America ribbon-minded. They do not hope for a return of the golden days when a ribbon garnished and brightened everything from the tail of the family cat to the handle of the buggy whip, but they do hope to convince the mothers of America that little girls should be dressed with less severity.

The manufacturers will try to impress upon the American buying public their profound belief that it is the inalienable right of every girl child to have at least six ribbons for her hair and as many more for sashes. Several years ago sixty per cent of all ribbon sold was for sashes and hair ribbons, but now only about two per cent is used for those purposes except in the Atlanta and Detroit districts and along the Pacific coast, where little girls still wear ribbons.

THE SIREN SCREAMS

. . Does it make you nervous ?

THE moaning, uncanny scream of the fire siren late at night. It strikes terror to the hearts of many business men. Something is burning. In their mind's eye comes the vision of fire, smoke and water, destroying their work of years — their livelihood. Are you one of these men?

Such fear is unnecessary and uncalled for. Keep your vital records — the heart of any business — safe and secure in Diebold Fire Resistive Safes and all cause for worry is removed.

They are designed as to size, style and interior equipment to meet the needs of any business. In addition, their attractive Duco finish beautifies any office. Diebold Safes carry the label of The Underwriters' Laboratories.

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Let us measure your fire risk and recommend the protection necessary.

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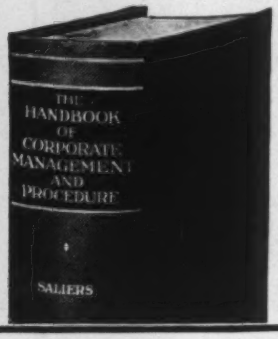

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Corporations Defined and Classified—Forms of Organization Other Than Corporate—Promotion—How and Where to Incorporate—The Corporate Name—The Corporation Charter—Stockholders — Stockholders' Meetings — The Board of Directors—By-Laws.

Part II. Finance—

Rules Governing Corporate Financing Sources of Invested Capital—Working Capital Financing—Permanent Capital Financing.

Part III. Management and Control—

Valuation and Appraisals—Appraisals of Real Estate—Appraisals of Wasting Assets—Accounting for Appraisals—Treatment of Corporate Revenues and Surplus—Corporation Reports—Budgets—Balance Sheet Analysis—Voting Trusts—The Investment in Plant—Stock Transfers—The Stock Exchange—Holding Companies—Bankruptcy and Insolvency—Corporate Reorganizations—State and Federal Regulation.

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Whalers Using Seaplanes

DESPITE the sad predictions of the American Council for the Conservation of Whales, the industry still flourishes on an annual kill of 30,000 of the great mammals of the deep. But New England ports no longer dominate this picturesque trade with its grand ceremonial traditions. Now it is mostly in the hands of Norwegians who have revived the industry by promotion of popular stock companies. Three of the larger companies reported last year combined profits of $2,000,000, declaring dividends of 30% on their stock.

Last year, likewise, on one of her expeditions the *C. A. Larsen,* 9,431 tons, largest whaler afloat, made port with $1,000,000 worth of oil. She had heaved 500 tons of coal over the side to make room for more oil.

Last week sailed for the Antarctic Norway's first two whalers with seaplane equipment, piloted by no less renowned masters of arctic ways than Riisar-Larsen and Leutzowe Holm, seasoned companions of the late Captain Roald Amundsen, discoverer of the South Pole and hero of the search for Nobile. Alaskan experiments had proved the feasibility of scouting down whales from the air at great range, with consequent heavy kills. Communication between plane and mother-ship is by radio telephone. These ships are of the factory type, completely equipped to reduce the great beasts to marketable products once the carcass is hauled into the ship.

In the United States, whale oil is worth about 50 cents a gallon and is used chiefly to make soap. Important by-products of the whale are fertilizers, cattle feed. In Japan whale meat is sold in tin cans.

Aside from the great Antarctic fishing grounds, dominated generally by the Norwegian companies, large scale whaling is carried on in Pacific waters off the coast of British Columbia by the Consolidated Whaling Corporation, Ltd., of Victoria. Last year 305 whales were got, while this summer 200 have been captured. The earnings of the company have been handsome, $8,318,616 from last year's fish. Operations in the North Pacific are economical because the carcasses of the whales, blown up by air pressure to make them float, can be towed in by small boats to shore factories which can refine and extract by-products more economically than ships.

Esterbrook

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Each writes in a different way, but #968 suits them all.

One executive we know has always used this No. 968 pen because he bears down hard and this pen doesn't "dig". Five other people in his division borrow his pen to sign their mail! Their signatures vary greatly but they all like the 968. The 968 is sturdy—excellent for public desks where every type of hand must be suited, and durability is needed. 'Oversize", and very smooth.

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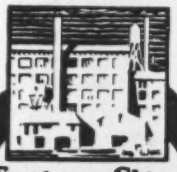

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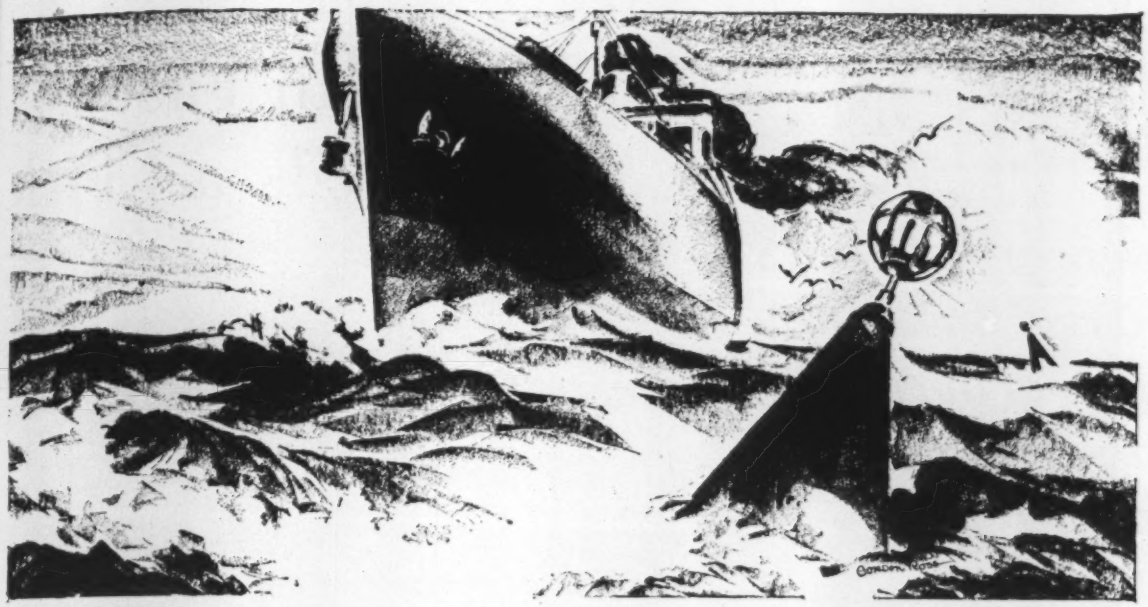

Deeper and broader channels for the ship of Modern Business

For greater usefulness
to Modern Business

The Equitable Trust Company
and
The Seaboard National Bank
announce
their consolidation as

The Equitable Trust Company
OF NEW YORK

WHEN the mammoth ships of our generation began to move their unprecedented cargoes, channels had to be broadened and deepened to make arrival and departure safe and sure. So, with the growth in trade and industry today, tending toward larger single units of manufacture and distribution, the financial channels also must broaden and deepen.

The consolidation of two well-rounded banking institutions—The Equitable Trust Company and The Seaboard National Bank—reflects this trend. It creates a bank large enough to satisfy the financial needs of our great modern corporations, yet flexible enough to meet every banking requirement of the individual.

Correspondent bankers will continue to transact their business with the same experienced Equitable and Seaboard officers, yet in addition they will find in the consolidated bank a widened range of valuable business contacts and banking facilities.

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Radio Program Monday Evenings

Ivan Works In Factory Now and Needs a Clock

CLOCKS and watches are making timely conversation in Russia these days. Two American companies—the Ansonia Clock Company, Brooklyn and the Dueber-Hampden Watch Company, Canton, Ohio—have been bought by the Soviet Precision Machinery Trust. They will be moved, entire, to Russia.

The Russian press has picked up the news with avid interest. Every Russian wants to own a watch. Alarm clocks have taken on new interest, now that they will be popularly priced. The ponderous old pendulum clocks of the monarchy are doomed. It doesn't matter; few people could afford them. The transition is symbolic of the change in Russia from the backward-looking days of the Czar to Soviet industrialism and common good.

Two things are responsible for the change: the rapid development of modern forms of transportation (railroad mileage has increased one-third since the War); and the industrialization of the country.

The introduction of modern transportation caused a mild uproar in the few cities it served. Passengers never were certain they were "on time" at the railroad stations. Finally a system of bells was instituted. One gong signified that the train would leave in 20 minutes. This always occasioned a final crowding around the samovars and meat vendors. The second gong precipitated the rush for seats. The final gong cleared the platforms; five minutes later the train puffed out of the station. The engineer was an educated man; he could tell time. Now this is all changed. Trains arrive and leave by rigid schedule. The brakeman shouts, "All aboard," and the train is off. Connections with international air lines demand that they be "on time."

Russia's determination to carry out the $3,500,000,000 5-year program of industrial expansion is amazing the world by its impetus. Labor is working 24 hours a day in three shifts. In five years the number of persons punching the time clock has increased from 1,161,000 to 2,333,000.

Industrial output increased 24% last year, is expected to increase 31% this year. Mass production in the necessity group is spreading to luxuries. As soon as the Ford factory gets into production annual output will be rushed until it reaches 100,000 units. Labor in industry working on clock time is likely to increase at the rate of 1,000,000 annually for a number of years.

Westernization is coming so rapidly it's no longer a novelty to have factory whistles call a man to work; a clock in the square tells him the time. He used to get up by the sun, by guess, by instinct. Working in a severely disciplined factory, he now needs an alarm clock to waken him in the morning; he wants to be able to pull a cheap watch from his pocket and know the time.

The two American factories will be reconstructed in Moscow, a center for skilled labor, and will be ready for production in 1931. They will start production at an annual rate of 1,000,000 inexpensive watches, 1,000,000 alarm clocks, 500,000 wall and electric clocks, and 200,000 better grade watches.

A. M. Bodroff, chairman of the Soviet Precision Machinery Trust, while he was in this country made one-year contracts with more than 20 foremen in the Dueber-Hampden factory to go to Russia late this fall to supervise the setting up of the factory at Moscow and organizing production. A smaller number will go from the Ansonia company.

The Soviet is doing things on a grand scale. Once they pass the drab, difficult early stages—reach the more romantic appeal of the luxuries—they hope the enthusiasm of the masses will carry them along. Automobiles and clocks have come. What will be next?

▼

Czechoslovak Shoes Upset Theories

CZECHOSLOVAK shoes, nearly 3,500,000 imported pairs, which bother American shoe manufacturers are mostly women's shoes. That they have sold so well upsets the popular theory that in women's styles producers must be near markets, must not produce ahead of orders. Only 7% of the shoe imports were for men and boys, chiefly from Britain. Imports of women's gloves from several European countries have also contradicted the theory.

Clever . . . these Chinese!

OLD John Chinaman sets his yellow fingers flying and there's the cost of your clean shirts and collars—neatly totalled by the faithful abacus of his honorable ancestors.

For the elementary arithmetical problems of a Chinese laundry the abacus is an adequate, if crude, calculating machine. For the complexities of modern business and the unavoidably involved calculations of your own figure work, Monroe Adding-Calculators are as far ahead of the abacus as the airplane is ahead of the bullock cart of ancient China.

And Monroe representatives —specialists in figure service— can show you from their intimate experience with a great variety of businesses Monroe methods which are producing the greatest number of accurate results at the lowest possible cost for businesses similar to yours.

Write or telephone your local Monroe representative or our home office at Orange, New Jersey—you'll find the Oriental has the right idea—machine accuracy is better than human fallibility—Monroe accuracy is certain, sure, and such an astonishing time saver, that you always can have the figures you want when you want them.

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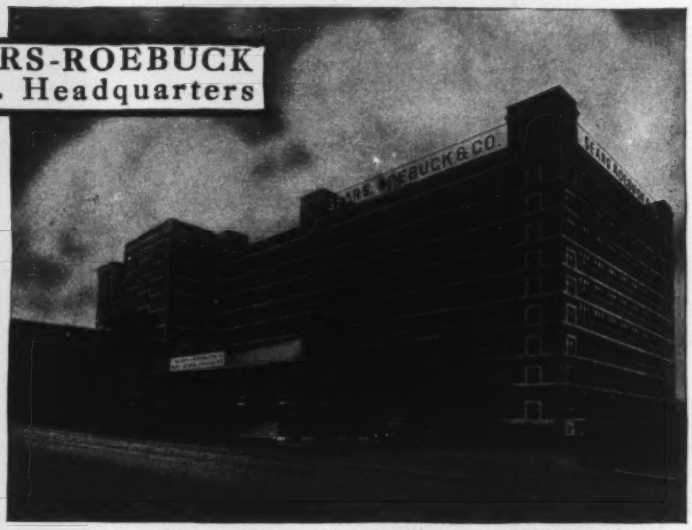

AMERICAN BUSINESS CHOOSES DALLAS as Southwestern Headquarters

AMERICA'S business leaders look to Dallas as distribution headquarters for the great Southwest market of Texas, Oklahoma, Arkansas and Louisiana. . . . The list of 1,921 concerns that maintain sales or manufacturing branches in Dallas reads like a "Bluebook of American Business." . . . Why did these concerns choose Dallas? . . . First, because the Southwest market of more than 12 million people and annual buying power of over 6 billion dollars must be served *from within* for maximum sales volume—and they enjoy the lowest possible sales and transportation costs by serving it *from the center.* . . . Rich raw material, labor and power resources add important manufacturing advantages in many lines. . . . Executives are invited to mail the coupon for *"Dallas—Distribution Center,"* containing valuable distribution maps, market data and list of concerns now maintaining branches in Dallas. Mail it *now.*

Dallas

Southwestern Headquarters to American Business — 1,921 national and sectional concerns maintain branches in DALLAS.

Industrial Dallas, *Inc.*,
1427 Chamber of Commerce Bldg., Dallas.
Mail free copy of "DALLAS—Distribution Center" to:

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Title_____
Company_____
Address_____

Self Service Makes Honesty

WILLIAM L. BUTLER, formerly official designer of stores for the California Retail Grocers' Association, has been added to the staff of the Butterick Trade Division. He will be engaged particularly in forwarding the idea of "open display," which is simply the practice of letting customers serve themselves without spying or hindrance. During the past two years some 10,000 individual merchants have adopted the idea of "open display," and are learning, somewhat to their surprise, that the average buyer is essentially honest, and that the more he is trusted the more honest he becomes. Many who are concerned with these unusual experiments in mass honesty believe that the open display is the coming sales method, and a few are convinced that the future will see it in operation in stores of the "full-service" type.

Already a chain of restaurants in New York permits its customers to select their food from unguarded counters and to declare to the doorman the value of what they take. Losses from replete but untruthful diners, according to the management, amount to much less than the cost of an adequate checking system.

In a small western town school children swarm each afternoon into a certain variety store, and dip freely into boxes of small items easily pocketed. At counters in the center of the store the owner and his clerks wrap up articles brought to them. They don't worry about pilfering, for pilfering is negligible.

The first groceterias admitted the customers through turnstiles and sifted them out along a railing, past skeptical examiners and cashiers. Thousands regarded this as a challenge, and there was much petty theft. But the turnstiles, the railings and the suspicious checkers have disappeared, and stealing in the groceterias has decreased almost to the vanishing point. The success of such experiments supports the figures recently made public by the Department of Commerce, which show that credit extension, if it be managed with reasonable care, need not cause a loss of more than one fourth of one per cent. of credit sales. Only carelessness will increase the losses to dangerous amounts.

▼

SOUTH AFRICA has inaugurated regular air mail service. Cape Town, port for incoming mail, is the base. Port Elizabeth, Johannesburg, Bloemfontein, East London, Durban are served.

The Trolley Car Turns the Corner

Economies, the feeder bus, the motor car's luxury, help solve a tough problem

ELECTRIC railways, after long tribulations, see daylight ahead. By close operating economies learned in the bitter school of starvation years, by eventually learning to use the bus as an ally, by learning lessons of comfort and even beauty from the automobile, the trolley car has started to win its way back.

How much progress has been made, how far remains to go, will be told when the American Electric Railway Association holds its annual convention in Atlantic City Sept. 28—Oct. 4.

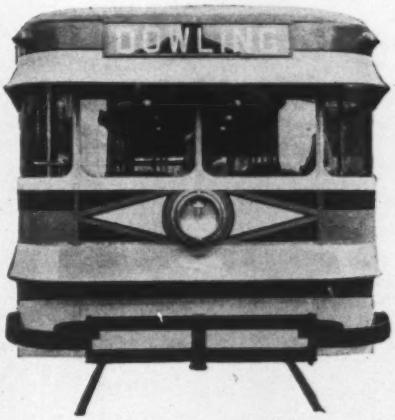
It will be the first session with Charles Gordon, newly appointed managing director, on the job. For THE BUSINESS WEEK, he discussed the problems of the industry and expressed his faith in the future.

"The private automobile," said Mr. Gordon, "is the greatest single factor that has adversely affected the traffic of electric railways; it would be difficult to over-emphasize its importance. It has almost eliminated pleasure-riding on trolley cars, once an important source of revenue. Sunday was formerly the day of heaviest street car riding; now it is the day of lightest traffic.

"The electric railway industry recognizes that the standards of transportation today are set by the convenience, appearance and even luxury of the private automobile. Consequently the term 'automobile performance' is widely used when transportation men discuss the design and operation of their equipment. They recognize that the street car must be materially improved in appearance, comfort, speed and general attractiveness. Car designers are giving attention, as never before, to such matters as balance in general proportion, to lines and colors, to the curves of the roof, to the shape of the vestibule, and to innumerable other details. And, not least, to the improvement of riding quality and the reduction of noise.

AS a result of all this, there are in experimental operation today in Detroit, Chicago, St. Louis, Boston, Joliet, Cincinnati, Pittsburgh and Louisville, cars equipped with worm drive trucks designed for quietness, rapid acceleration and smooth operation. On some, the old type controller has disappeared, and with it has gone the venerable motorman's stool. The operator of the modern street car sits in a comfortably upholstered seat and manipulates both brakes and controls with foot pedals similar to those of an automobile. Many of these radical designs will be exhibited at the convention, and railway men are looking forward to them with a great deal of interest. It seems safe to say that the street car of the future will bear little resemblance to the old-fashioned trolley.

"So far as the motor bus is concerned, the situation is rapidly becoming clarified. The bus should be classed with the street railway. Both are common carriers, and competition should no more be permitted between street cars and buses than between rival lines of trolleys. We have ceased to regard it as vital to our industry that street cars alone be used. Our surveys indicate that although buses have replaced trolleys on about 1,800 miles of track, approximately 4% of the total mileage, about 800 miles of this are in communities that are unable to support any form of public transportation. The remainder represents substitutions made by railway companies which have found it more profitable to operate buses on certain lines where the density of traffic would not support rail service. I do not think there can be any question as to the value of buses as feeders, auxiliaries, and extensions to the trolley systems. Our companies realize this and are rapidly extending their bus service. At the present time 362 companies are operating 12,000 buses over about 20,500 miles of route."



NEW ART IN THE TROLLEY
Roller bearings, rubber insert wheels, stream lines, aluminum fittings

THE greatest obstacle in the pathway of the street railway industry during the past ten years has been a lack of public understanding of the basic problems involved. Although the industry was obviously in serious straits because of the competition of the automobile and the rapidly rising costs of material and labor, politicians continued to use it as a football, clinging to low fares as a political shibboleth and enforcing restricted franchise conditions. The approved assumption by the public of the cost of providing adequate roads made possible the development of the automobile industry, but refusal to permit the modernization of public transportation by insisting upon retention of obsolete franchises and fare schedules, has been forcing the street railways to the verge of bankruptcy.

"But the public is at last beginning to understand," said Mr. Gordon, "that obsolete methods of dealing with public transportation are the primary causes of difficulties faced by cities throughout the United States. It is because of this growing understanding that the local transportation industry looks forward with confidence to the future. The industry

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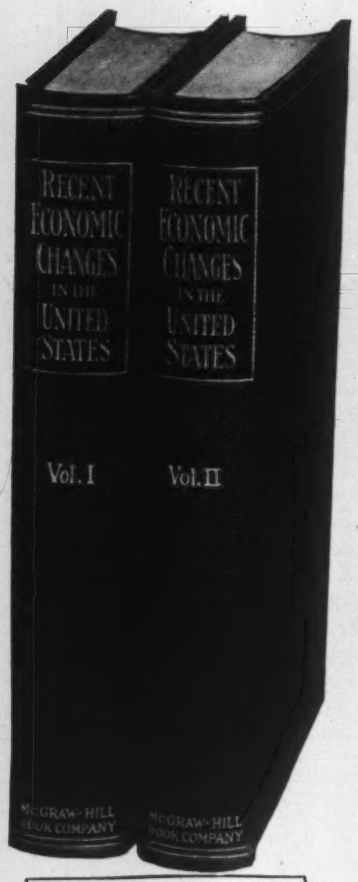

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The Committee of the President's Conference responsible for this report includes such well-known names as Walter F. Brown, Renick W. Dunlap, William Green, Julius Klein, John Lawrence, Max Mason, Adolph C. Miller, Lewis F. Pierson, John J. Raskob, A. W. Shaw, Louis J. Taber, Daniel Willard, George McFadden, Clarence M. Wooley and Owen D. Young.

The personnel of the committee insures the soundness, accuracy, and value of this vital and intensely interesting contribution to economic literature.

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as a whole is not literally "in the red," because its service is needed by fifty million riders who pay about $1,000,000,000 a year in fares. But the industry is not making money in the sense of earning a fair return on its investment for this reason: at the time it reached its period of maximum expansion, and before it was able to complete the process of stabilization and consolidation, it was affected simultaneously by two developments which threw it into confusion and changed the whole aspect of its future. The first was the rise in operating costs, brought about by the World War. The second was a complete change in the riding habits of the people, caused by the increased use of the automobile."

That the changes mentioned by Mr. Gordon are still in progress, is indicated by preliminary reports from transportation companies for the first half of 1929. Traffic on electric railway cars alone, during that period, was about 2% less than in the corresponding period of 1928. On railways and railway-operated buses combined it was about 0.76% less than in 1928. Railway revenues were about 1% lower than in 1928, and expenses 1.9% lower. Net revenue was about 1.75% greater than in 1928. Wages have remained remarkably steady, the increase being less than 0.5%. Material costs are from 2 to 3% higher than last year. The reduction in operating expenses, which produced the increased net revenue, was due to more efficient maintenance, better planning of schedules and other operating economies.

▼

Skyscrapers Not So Many, at That

AMERICA is the land of skyscrapers, but we haven't so many of them, at that. We have 173 cities with 50,000 population but only 36 of these have buildings over 20 stories high. In 42 cities there are no buildings over 10 stories high and 59 other cities have fewer than five 10-story structures.

Calling a "skyscraper" anything over 20 stories, New York leads with 188. Chicago is a poor second with 65. Then follow Philadelphia with 22, Detroit with 19, Pittsburgh with 15—and that ends the list of cities with more than 10.

There are 10 buildings in the country more than 500 ft. high. Five more are under construction. The Woolworth building, 792 ft. high, has been supreme for 16 years. This year the Chrysler building will surpass it by about 16 ft., and shortly thereafter the Bank of Manhattan will soar 836 ft.

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22 Telephone Typewriters now keep Studebaker's assembly line constantly in operation, resulting in a 100% increase in production.

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In automobile production it is vitally essential that the right parts flow into the assembly line at the right moment. Otherwise costly periods of idleness on the part of the assemblers occur.

Formerly The Studebaker Corporation maintained contact between the assembly line and the body, motor, axle, wheel and other departments by means of messengers. But, as the plant covers half a dozen city blocks, this method was slow and productive of delays.

Now a battery of 22 Telephone Typewriters maintains this contact, with the consequence that all parts reach the assembly line at the proper moment. Under the old system the company carried many parts in stock; now it carries little stock except that on the conveyors in process.

Teletype ... the Telephone Typewriter ... sends *typewritten* instructions by wire. Depressing a key on the sending machine causes the receiving machine to print that letter ... instantly! As the sender sees what is being printed by the receiving machine, errors in transmission are virtually impossible.

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TREND and TEMPO

By Robert R. Updegraff

HOW fortunate for all of us that the exigencies of business require our going so many places that we do not want to go. If we could follow our natural inclinations and stay in our offices by day and our comfortable homes by night, month in and month out—instead of having grumblingly to take sleepers to Boston, Milwaukee, Washington, New Orleans or Seattle—how much we should miss of life.

The fact is, as soon as we begin to expose ourselves to life, interesting things begin to happen to us, and often some broad new horizon opens up quite unexpectedly.

Only recently I saw a man off to Europe on a steamer and listened patiently to his tired growling about having to leave his comfortable home for a tedious foreign trip. Six weeks later I met him upon his return—looking five years younger and fairly brimming with new plans and fresh ideas for his business—and his life—picked up from the people he had met on the steamer and in Europe.

Should we not school ourselves to remember this "exposure" theory whenever we have to move out of our usual orbits? Then, instead of dreading the trip, we should be on the lookout for interesting people, fresh ideas, new experiences. Rarely should we be disappointed.

▼

IF any institution is going to maintain itself as vital, in this thoughtless age, it must fit into the life interests of the people it would serve.

At least this would seem to be the conviction of Rev. L. E. Bond, pastor of the Itasco (Illinois) Presbyterian Church, who this summer changed the schedule of his Sunday services to accommodate his golf-playing congregation, his church being surrounded by six golf courses. A caddies' Sunday school, lasting thirty minutes, is held at 7:30 Sunday morning, and at 8 o'clock a brief service for golfers.

Pastor Bond reports that he has had excellent attendance and says the golfers seem to appreciate the services.

Flexibility—that is the need today!

▼

SEATED next to the branch manager for a specialty manufacturing organization at a sales convention luncheon at noon today, I got a new thought on selling trends.

This man was speaking of one of the large office equipment companies in his territory.

"No one can sell them a thing," he informed me. "They know too much about selling. They are onto the curves, you might say. All you can do is leave your samples and prices, answer the questions they ask you, and wait to hear from them. If—or when—they get ready, they buy. But get me straight—*they buy*, you can't sell them."

Selling is so large a factor in almost every business today, and comes in for so much discussion all through the organization, that salesmanship appears to be assuming a constantly lessening importance in dealing with professional buyers, and product, price and service appear to be assuming constantly increasing importance.

Is it not just as well that it is so?

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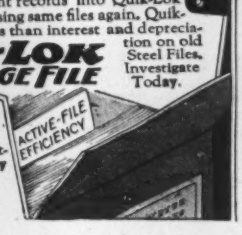

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Wide Reading

LET'S EXPORT PROSPERITY. Benjamin A. Javits. *North American Review*, September. Shoe the world in leather shoes, ride them in automobiles, bathe them in bathtubs—give the rest of the world a "break" on this American prosperity.

A. S. M. E. SEAPLANE MEETING AT CLEVELAND. Edward P. Warner. *Aviation*, September 14. More than a convention report. Statements by Rohrbach, Richardson, Sikorsky on commercial development of seaplanes and amphibians, over-water plane routes, catapulting mail planes from ships. Pertinent to business because of recent important developments in aviation.

THE BIG FOUR OF THE AIR LINES. R. Randall Irwin. *Western Flying*, September. Who's who and what's what among the newly merged, always expanding aviation companies. A maze of mergers smoothed out into a neat and inclusive summary.

MOTOR-CARRIER REGULATION AND ITS ECONOMIC BASES. G. Shorey Patterson. *Quarterly Journal of Economics*, August. Enlightening discussion of the peculiar problems of regulating motor vehicles.

THE COPPER DEPOSITS OF NORTHERN RHODESIA. Anton Gray and R. J. Parker, chief geologist and manager, Rhodesian Selection Trust, Ltd. *Engineering and Mining Journal*, September 7. Résumé of the geology, ore deposits, and possibilities of one important African copper mining area. World copper market is reacting to increasing output of African mines.

INTERNATIONAL ECONOMIC COOPERATION. Kirby Page. *World Tomorrow*, September. The part the business man must play in the creation of the new economic order.

A NINE-ACRE NEST FOR DIRIGIBLES. Arthur A. Stuart. *Popular Science Monthly*, September. Facts about the mammoth hangar being built at Akron—part of the activity making that city the airship center of the country.

BUT WHAT IS SUCCESS? Dean Inge. *North American Review*, September. New guideposts—non-materialistic.

BOOKS

THE THINKING MACHINE. C. Judson Herrick. University of Chicago Press, 366 pp, $3. Emphasis not on what man thinks, but how man thinks.

1929 BLUE BOOK OF SOUTHERN PROGRESS. *Manufacturer's Record*, 322 pp, 50 cents. Comparative figures of the South vs. the United States.

OPERATING EXPENSES OF DEPARTMENT STORES AND DEPARTMENTALIZED SPECIALTY STORES IN 1928. A study made for the National Retail Dry Goods Association by the Harvard Bureau of Business Research, 60 pp, $2.50. On department stores with 1928 net sales over $1,000,000.

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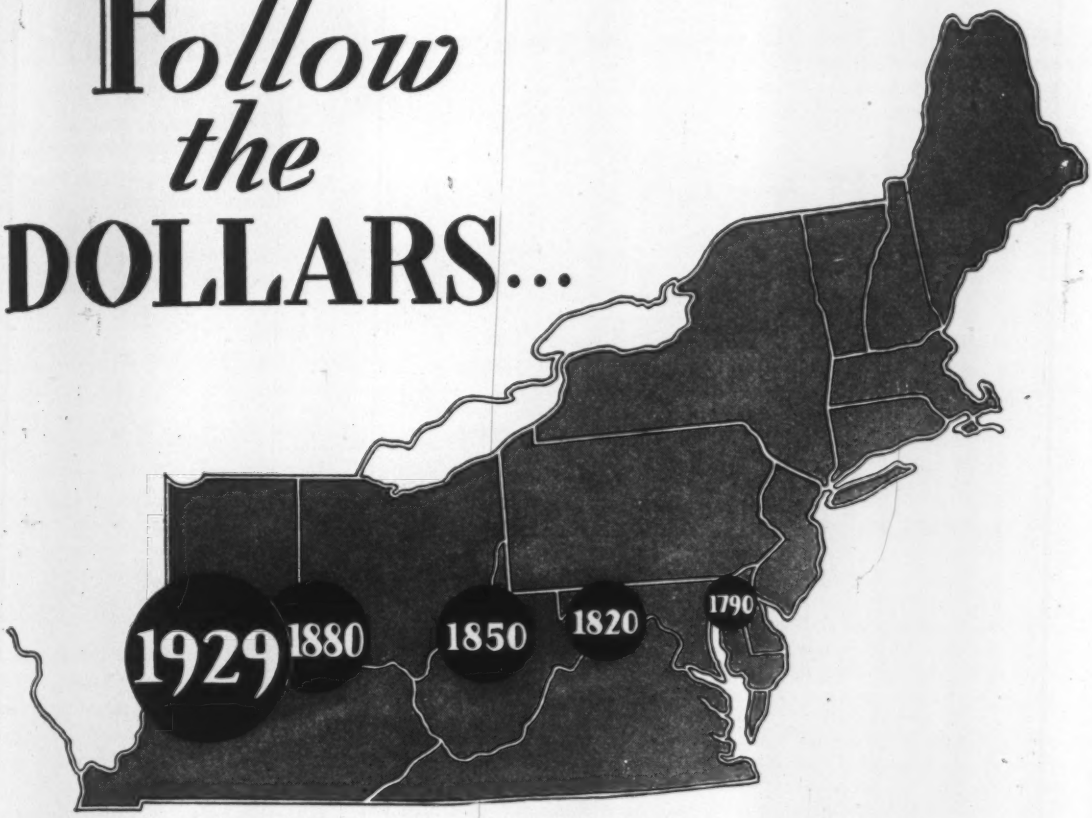

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Minas Geraes—The Intruder

LIKE a gosling among a brood of cygnets, a little foreign bond issue was hatched, made its little squawk and was promptly forgotten, all on Monday. On behalf of Minas Geraes, The National City Company and allied banks asked American investors to pay 87 for $8,000,000 issue of that Brazilian State's 6½% bonds.

On March 19, 1928, the same banks, on behalf of the same government, sold $8,500,000 6½% bonds at 97½.

So big a drop in value is not the indication of an 11% slump in Minas Geraes' credit; it is only one more disagreeable consequence of the Great Bull Stock Market. What foreign debtor governments are saying about this bovine monstrosity must be totally unfit for publication.

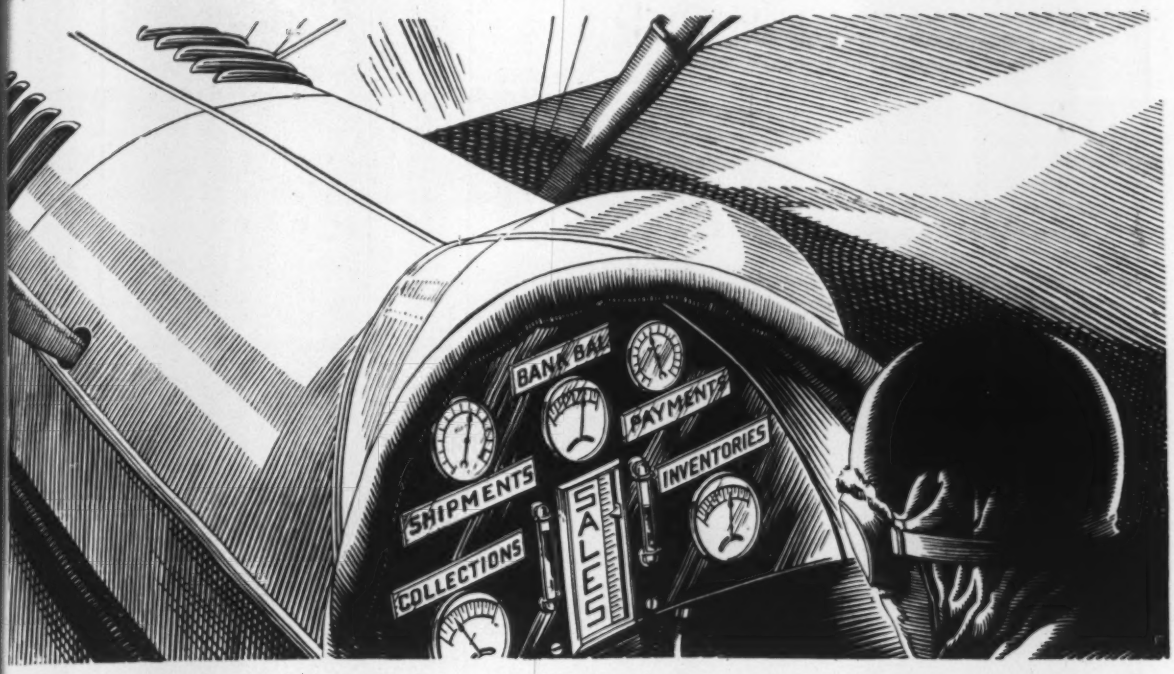
The bonds are payable at par through sinking fund operation, starting next year, which means that the Minas Geraes government is submitting to an exceedingly high rate of interest and amortization.

The State of Minas Geraes must stand high in New York bankers' estimation to have obtained flotation at all just now. As a matter of fact, it is about the best risk in Brazil, ranking with São Paulo and Rio-Grande-do-Sul, but with more population, a smaller debt and a more diversified production. Its old Portuguese name, "general mines" or "mines in general," indicates its resources, which are prodigious. Gold, diamonds, and manganese are exported. The Mineiros know the future has greater things in store for them.

Seven years ago Floyd W. Parsons wrote: "Without doubt, in the future, the country that controls the iron of Brazil will control the steel of the world."

That iron is contained in one great deposit of ore, 80% pure metal, easily accessible, near the capital of Minas Geraes State. Geologists estimate a content of over 12,000,000,000 tons. There is no coal in the vicinity, but abundance of water-power. Here is an interesting problem for solution, with a big cash prize for the right answer.

The Minas Geraes bond issue was the only one offered by the ten republics of South America in the third quarter of this year. In the first quarter of 1928, when bonds were still in good demand, twelve loans were floated.



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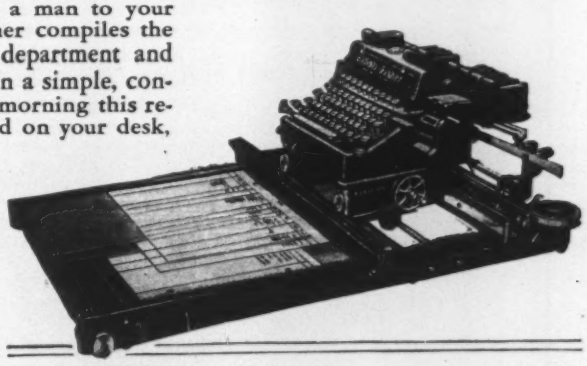

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EDITORIAL PAGE

THE BUSINESS WEEK—A McGRAW-HILL PUBLICATION

Light the Lobbies

THE Shearer case has shown how lacking in clarity, candor and common sense is the attitude of the government, the public, and business toward the lobby question. We hold no brief for Shearer or those he represents. His conduct is a stench in the nostrils of every decent citizen. But it raises a question that we should frankly face.

What part of the Capitol is the lobby? When is lobbying legitimate?

When armament manufacturers send a man to Washington, or to Geneva, and pay him to influence governments to build more battleships at the public expense, we call him a lobbyist, and the practice lobbying.

When the beet growers of a western state send a man to Washington to use his influence to raise the price of sugar and increase their profits, we call him a senator, and the practice government.

What is the distinction? Is it merely that the one man works inside rather than outside the Senate Chamber?

The real distinction is not one of time, or place, or manners. It is essentially only that in one case we know nearly all about the man, whom he represents, what he is trying to do, and through our own representatives we can challenge and oppose his purposes in a free and fair fight.

The fact is that all of Washington is a lobby—the lobby of the American people. Representative government is essentially a process of lobbying. All our Congressmen and Senators are lobbyists for their constituents. In this kind of government—which is the only kind we want—it is just as legitimate and necessary for the interests of industries and occupations in every part of the country to be represented in Washington as it is for the interests of those who happen to live within lines arbitrarily drawn on a map to be represented there. It is just as proper to represent those interests in the lobbies and corridors of Congress as it is to further them on the Floor. Government today is no longer merely a matter of geography. It is a matter of business. Without the constant representation and participation of business in it our elected public servants would be working in the dark, and the process of government would go wrong or break down.

It is of no great importance where in the Capitol, or in Washington, such representation is made effective or by whom it is done. The essential thing is that it be not done in the cellar by persons unknown or disguised. The men who represent to the government the interests of business in any field, in the lobbies of Congress as on its floor, should be as clearly identified as are the names on the Congressional Directory; their constituents should be as definitely traced on the map of American business; their purposes as plainly published to the world, and their work carried on in the light of day. When this is done the public will have as little to fear from them as it has to fear from its Congressmen and Senators.

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